Inclusive Insurance in the Democratic Republic of Congo: Assessment of Demand, Supply, the Regulatory Environment and Recommendations for Sector Development

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Acronyms	Definitions
A2F	*Access to Finance (the Essor A2F workstream)*
A2ii	*Access to Insurance Initiative*
ACA	*Association des Courtiers d'Assurance*
ACB	*Association Congolaise des Banques*
ADB	*Asian Development Bank*
ACRE	*Agriculture and Climate Risk Enterprise*
AIO	*African Insurance Organisation*
ANAPI	*Agence Nationale pour la Promotion des Investissements*
ANMF	*Association Nationale des Institutions de Microfinance*
AML	*Anti-Money Laundering*
ARPTC	*Autorité de Régulation de la Poste et des Télécommunications*
ARC	*African Risk Capacity*
ARCA	*Autorité de Régulation et Contrôle des Assurances*
ARD	*Assurance de Responsabilité Diverses*
ATM	*Automated Teller Machine*
BCC	*Banque Centrale du Congo*
BMZ	*Bundesministerium für Wirtschaftliche Entwicklung und Zusammenarbeit*
BTD	*Bangladesh Taka*
CENFRI	*Centre for Financial Inclusion and Regulation*
CCA	*Climate Change Adaptation*
CIC	*Consultative Insurance Council*
CCAF	*CGIAR Research Program on Climate Change, Agriculture and Food Security*
CFA-Franc	*Coopération Financière en Afrique Centrale Franc*
CFT	*Combating financing of terrorism*
CGIAR	*Consultative Group on International Agricultural Research*
CICA-Re	CIMA common reinsurance company
CIMA	*Conférence Interafricaine des Marchés d'Assurance*
CISNA	*Committee of insurance, securities and non-banking financial authorities*
CNASS	*Compagnie Nationale d' Assurance Agricole du Sénégal*
COOCEC	*Centrale des Coopératives d'Epargne et de Crédit (Centralised Credit and Savings Co-operatives)*
COPEMECO	*Confédération des Petites et Moyennes Entreprises du Congo*
COPIREP	*Comité de Pilotage de la Réforme des Entreprises du Portefeuille de L'Etat*

Acronyms	Definitions
DFID	*Department For International Development*
DOF	*Department of Finance (The Philippines)*
DRC	*Democratic Republic of Congo*
DRR	*Disaster Risk Reduction*
ÉLAN RDC	*DFID private sector development programme*
EMI	*Electronic Money Institution*
Essor	*DFID private sector development programme*
EY	*Ernest & Young*
FANAF	*Fédération des Sociétés d'Assurances de Droit National Africaines*
FEGASA	*Fédération Gabonaise des Sociétés d'Assurances*
FEC	*Fédération des Entreprises du Congo*
FGD	*Focus Group Discussion*
FSB	*Financial Services Board, South Africa*
GDP	*Gross Domestic Product*
GNI	*Gross National Income*
GSMA	*Global System for Mobile Communications Association*
HARITA	*Horn of Africa Risk Transfer for Adaptation*
IAIS	*International Association of Insurance Supervisors*
IC	*Insurance Commission, The Philippines*
ICMIF	*International Cooperative and Mutual Insurance Federation*
IFC	*International Finance Corporation*
IHRFG	*International Human Rights Funders Group*
IIC	*Inclusive Insurance Committee*
ILA	*International Legal Assistance Consortium*
ILO	*International Labour Organisation*
IMF	*International Monetary Fund*
INSS	*Institute National de Sécurité Sociale (National Social Security Institute)*
IRDA	*Insurance Regulatory and Development Authority(India)*
IT	*Information Technology*
KPI	*Key Performance Indicators*
MAP	*Making Access Possible*
MECRECO	*Mutuelles d'Epargne et de Crédit du Congo*

Acronyms	Definitions
MFI	*Microfinance Institution*
MI	*Microinsurance*
MI-MBA	*Microinsurance Mutual Benefit Association*
MINPMECM	*Ministère de Petites et Moyennes Entreprises et Classe Moyenne (since December 2015)*
MPEA	*Ministère de Petites et Moyennes Entreprises et de l'Artisanat*
MNO	*Mobile Network Operator*
MPH	*Master Policy Holder*
MSMEs	*Micro, Small and Medium Enterprise*
MTO	*Money Transfer Institution*
NIC	*National Insurance Commission (Ghana)*
NSIA	*Nouvelle Société Interafricaine d'Assurance*
OAU	*Organisation of African Unity*
OECD	*Organisation for Economic Co-operation and Development*
OHADA	*Organisation pour l'Harmonisation en Afrique du Droit des Affaires (Organisation for the Harmonisation of African Business Law)*
PHP	*Philippine Peso*
POMUCO	*Plateforme des organisations promotrices des mutuelles de santé du Congo*
PPP	*Public Private Partnership*
R4	*The Rural Resilience Initiative (R4)*
SACCOs	*Savings and Credit Co-operatives (in French: Coopératives d'Epargne et de Crédit - COOPECs)*
SADC	*South African Development Community*
SBS	*Superintendence of Banking, Insurance and Pension Funds (Peru)*
SEPC	*Securities and Exchange Commission, Pakistan*
SEGURO	*Solvency, Efficiency, Governance, Understanding of Microinsurance, Risk Management and Outreach of Clients*
SME	*Small and Medium Enterprise*
SONAS	*Société Nationale des Assurances*
SSA	*Sub-Saharan Africa*
SUSEP	*Superintendence of private insurance(Brazil)*
TCF	*Treating customers fairly*
TIRA	*Tanzanian Insurance Regulatory Authority*
TSP	*Technology Service Provider*

Acronyms	Definitions
TTF	*Technical Task Force*
UN	*United Nations*
UNCDF	*United Nations Capital Development Fund*
UNDP	*United Nations Development Programme*
UNICEF	*United Nations International Children's Emergency Fund*
USD	*United States Dollar*
VAT	*Value-Added Tax*
WFP	*World Food Programme*
WWB	*Women's' World Banking*
ZAR	*South African Rand*

Executive Summary

1. Rationale, definitions and key elements of the study

The Department for International Development's (DFID) Private Sector Development Strategy states *"Banks and insurance companies can make financial services available to poor people, or provide the full range of products needed by businesses"* [1]. However, at present, in the Democratic Republic of Congo (DRC), the insurance sector is excluding the low-income segment, the Micro, Small and Medium Enterprises (MSMEs) and retail insurance consumers[2]. Only a small number of businesses and vehicle owners have a limited access to some insurance. ELAN RDC and Essor, DFID's private sector development and business enabling programmes in the DRC, conducted this study to understand the underlying issues.

The **objective of this study** is to assess the barriers in access to and supply of insurance, and identify future opportunities for inclusive insurance market development, as well as the market potential and stakeholders to be engaged for such a development.

For the purpose of this study, it is necessary to **define the terms microinsurance and inclusive insurance**. Microinsurance refers to insurance products designed with the low-income segment as a target market. The term also refers to providers (insurers and distribution channels) that specialise in this business line. Inclusive insurance has a much wider meaning, reflecting a more general strategic approach to serving the underserved and excluded. The IAIS defines that "*inclusive insurance is a mainstream topic of relevance to the development of the retail insurance market as a whole*".[3] Therefore, this study looks at the entire market of the "unserved"; however, it focuses on low-income consumers and MSMEs.

The development of an inclusive insurance market in the DRC will have positive effects on the economy and the development of all regions of the country. In the DRC, organising insurance as a risk protection mechanism means that it has the potential to support sustainable development; by providing a buffer from the viscous circle of poverty and by building resilience. The arrival of new insurance companies, mutuals, and distribution channels will create new jobs opportunities and build the skills of those it employs. It will multiply the number of potential institutional investors that will mobilise funds. By enabling the engagement of private insurers and more distributors, the population in general and private businesses will be able to purchase insurance products tailored to their needs. In turn, with insurance providing individuals and businesses with greater security about their future in the event of a shock, they may be more likely to invest. However, based on the experiences of neighbouring countries, initially insurance penetration will concentrate in urban centres and reach individuals organised in groups such as MFIs, or the formal business sector. Those based in remoter regions and within the lower income segments will take longer to reach.

The study focuses on the **three main elements of inclusive insurance market development**: (i) the demand-side, (ii) the supply side (insurers, distribution channels and products) and (iii) the enabling policy, regulatory and supervisory environment.

[1] Private Sector Development Strategy: Prosperity for all: making markets work, DFID, 2008
[2] The study means the current and future insurance consumer, i.e. policyholders, insured as indivicuals or in a group policy holding a certificate, and beneficiaries of an insurance policy.
[3] IAIS Application Paper on Conduct of Business in Inclusive Insurance, 2015

2. Demand-side

The inclusive insurance consumer in the DRC characteristics are similar to those in other countries. General demand-side characteristics depend on the place where consumers live or carry out their activities, what their socio-economic realties are, where they find employment, which social support structure they use and which financial services they have access to. Low-income households and MSMEs in the DRC are also characterised by low levels of education, affordability constraints, low income and remoteness.

The most frequently expressed risks for MSMEs are transport and road accidents and theft; for individuals the main risks are health-related issues and death. The study assessed the understanding of people's day-to-day realities and the shocks they face, their level of awareness of and the results of such shocks. During the Focus Group Discussion (FGD) conducted, the participating MSMEs identified transport, road accidents and theft as the most frequently faced risks in the past two years; they rarely mentioned death as it had not occurred recently. In interviews[4] with individuals and other studies[5] consulted, people reveal their concerns about risks related to illness and death.

The current risk management strategies[6] individuals and MSMEs adopt to cope with risks are limited, hence risks may threaten their livelihoods and productivity. In the absence of insurance, MSMEs and individuals use a mix of coping strategies once a shock strikes, like depleting savings, borrowing, seeking community assistance, reducing or stopping their investments in their business and in education. These strategies come with challenges: they can only cover part of the loss and this cannot be done too frequently. Importantly, these coping strategies tend to have negative long-term repercussions on the well-being of their family and business.

Actual and potential insurance consumers face severe barriers regarding the uptake of insurance in the DRC. There is a scarcity of insurance products. The few insurance products available are not adapted to consumers' needs, are unaffordable and inaccessible. There is limited awareness and knowledge about risks and insurance solutions. People are not familiar with the concept of insurance; e.g. they do not know what is "insurable"; and mistrust and negative perceptions of insurance are widespread. In addition, the legal and judicial environment is weak and contract enforcement is problematic. In the DRC, less than 1% of the population has insurance.[7] The negative catchword related to insurance in the DRC is the SONAS ("*Société Nationale des Assurances*"), the state insurance company, recognised for not paying claims. People are aware that SONAS's product is insurance, however, it is perceived as a tax with no return.

People and MSMEs in the DRC expressed a need and desire for insurance, but under certain conditions. Individuals and MSMEs owners are interested in insurance that is affordable, provided by a trustworthy insurer or distribution channel, and importantly, providing adequate and timely compensation for claims. Insurance is important for ensuring their life risks and assets.

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[4] See Annex 1 List of Consultations, and also Annex 2, Demand insights based on interviews of Essor Leasing Study 2016
[5] See Annex 11 Bibliography
[6] **Risk management strategies** can be classified as prevention, mitigation, and coping strategies. Insurance belongs to mitigation strategies. (i) Prevention strategies reduce the probability of an adverse shock occurring. They include investment in irrigation infrastructure that reduces risk of droughts or engagement in hygiene and other disease prevention activities. (ii) Mitigation strategies are implemented before a shock and reduce the potential impact if the risk were to occur, e.g. through diversification of livelihood strategies or insurance. Finally, (iii) coping strategies include financial services (individual depleting savings and borrowing), reciprocity based schemes and social welfare programs to deal with ex-post effects once the risk has occurred. Social Risk Management: The World Bank's Approach to Social Protection in a Globalising World, World Bank 2013
[7] Making Access Possible: Financial Inclusion Diagnostic Report 2015, Cenfri, FinMark Trust and UNCDF (MAP 2015)

3. Supply-side

On the supply-side, insurers, distribution channels and products do not cater for the needs and situation of low-income segment and MSMEs. Who is currently engaged and what is currently provided does not meet the needs of broad populations segments. Insurance supply is narrow and limited to compulsory lines mainly for corporations and for vehicle owners.

The sole insurance provider has had a state-monopoly since 1966. Since 1966 only state-provision was allowed. Certain types of insurance were mandatory, namely automobile, transport, aviation, and construction (fire) for public and commercially or industrially used buildings. As of 2015, SONAS provided insurance to approximately 2 million clients, generating a total insurance volume of USD 53 million. In comparison, this reflects about 15 to 20% of what is generated in neighbouring countries. SONAS has severe organisational weaknesses. In 2015, the company lost its monopoly under the new Insurance Code and more recently, started restructuring its business to compete in a liberalised market.

Foreign insurance companies have insured selected clients. They were insuring e.g. some vehicle fleets of enterprises. Foreign insurance coverage is also held for aviation insurance or travel insurance. However, there is no data on the amount of insurance contracted from them.

Investors are preparing to apply for licenses as insurance companies. Several international insurance companies, banks and other investors in the DRC are preparing to apply for an operating license as a life or non-life insurance company, or for both. Once the insurance supervisor is fully operational (see section 4.) licenses can be obtained. Setting up an insurance company requires a capital of USD 10 million, and for an insurance mutual a capital of USD 3 million. Some of the prospective insurance companies indicated that they plan to offer inclusive insurance products. Their microinsurance experiences originates from conducting similar activities in neighbouring countries.

Health mutual societies cater for a significant part of the population. In 2012, the 98 health mutuals, which are self-help groups taking on a limited risk sharing approach, were serving 3 million members. In 2015, they served approximately 5 million members via community-based and workplace-based schemes. They work with associated community-based health centres, providing basic health care services. Many mutuals are small, just a few are large with thousands of members[8].

The overall financial sector environment in the DRC is a key determinant for insurance market development. Financial sector development is a policy priority of the Congolese Government as the sector is shallow and underdeveloped. The other (non-insurance) financial services providers comprise 17 banks, 21 Microfinance Institutions (MFIs), 101 SACCOs, 3 mobile money providers, and 75 money transfer companies. The MFIs and banks together cater for approximately 1.7 million clients (see Table 10 in chapter 4.3). The strongest and largest of these financial institutions have potential to distribute insurance. Financial services in the DRC in general are neither diverse nor broadly available, whereas insurance (and payments) is still weaker than the other financial services (savings and loans).

Banks engaged with MSMEs, MFIs and SACCOs are important potential distribution channels. In the DRC, selected banks that are serving MSMEs have 232 agencies and serve 1.5 million loan clients. The MFIs and SACCOs serve another 1.7 million clients.

Certain developments in the financial sector environment are supportive allowing the insurance market to become more inclusive. Among those are growth in borrowing and consideration of leasing in the future; improved rural outreach by more physical contact points like agencies and agent banking; an increasing number of mobile money payments and remittance transactions, and the Mobile Network

[8] MAP 2015

Operators (MNO) engagement in the financial sector, bringing about new financial services and slowly increasing competition. Other positive factors are the engagement of international stakeholders, and the DRC government demonstrated by the draft National Financial Inclusion Strategy, the support of the Ministry of Finance (MoF), and the engagement of the BCC (*"Banque Centrale du Congo").*

Liberalisation became a reality with the promulgation of the Insurance Code in March 2015. However, time is required before private insurers are licensed, new distribution channels and partnerships are functional; and a range of consumer centric products are developed. A key achievement is that the insurance supervisory ARCA (*"Autorité de Régulation et de Contrôle des Assurances")* has been created in early 2016, and key management staff appointed on November 11th 2016[9].

4. Policies, regulation and supervision

Insurance is recognised in the DRC as being vital for fostering economic and social development, yet there is still a lack of understanding as to how it can also contribute towards meeting other unrelated public policy goals. A wide range of elements demonstrate that insurance is considered to be a crucial tool for economic and social development. However, a comprehensive strategy to promote insurance and connect it with other public policy goals is still missing.

The Financial Inclusion Strategy currently being developed aims to include insurance as a key component, which could effectively be a catalyser of the development of inclusive insurance in the country.

The DRC has prioritised regional integration, which can contribute to an enabling environment for inclusive insurance through sharing experiences on inclusive insurance and potentially granting dispensations to regional providers to participate in the DRC. This is an important opportunity given that inclusive insurance has gained importance in regional integration processes such as SADC and CIMA.

The liberalisation of the insurance industry presents a unique opportunity. The DRC is an emerging insurance market where demand, supply and the enabling environment need to be developed. Creating the right enabling environment (policy, regulatory, supervision) will help providers to offer suitable products and effective consumer protection .

Having the ability to easily make changes to the regulatory framework is critical for the development of inclusive insurance. Insurance regulations are not easily accessible and issuing new laws and regulations is a laborious process. Given that the inclusive insurance market is dynamic, therefore, having the flexibility to quickly adapt the regulatory framework is critical.

There are several provisions in the Insurance Code and the other applicable regulation that look unsuitable and create barriers to the development of responsible inclusive insurance. However, other provisions offer new market development opportunities. The Table below provides an assessment of the appropriateness of the regulation applicable to inclusive insurance in the DRC:

[9] Mr Bienvenu Liyota, as the Chairman of the Board of Directors, Mr Eric Mboma, as General Director and Alain Kaninda Ngalula, as the Deputy General Director.

Elements of the Insurance Contract Life Cycle	Assessment of the applicable regulation to inclusive insurance
1. Risk carriers	Capital requirements for risk carriers seem disproportionate for the development of inclusive insurance. Allowing foreign insurers to engage in the market is an opportunity for inclusive insurance. The insurance industry association is recognised by the Insurance Code and provides it with legitimacy. Yet the level of involvement of ARCA and the MoF could restrict its independence, however, such involvement could be positive in the initial stage.
2. Distribution channels	The recognition of alternative distribution channels besides the traditional insurance intermediaries in the Insurance Code is narrow and ambiguous, and training requirements disproportionate. This could be a major obstacle for the development of inclusive insurance. Key regulations that could enable new distribution channels and transactional platforms are still pending, such regulations are needed to promote inclusive insurance.
3. Product design and approval	The Insurance Code recognises the existence of mandatory (for example Liability insurance for owners of motor vehicles) and credit-linked insurance products, therefore it promotes these products. This is a positive factor as these products are essential for the development of emerging insurance markets. Bundling life and non-life insurance products is an opportunity presented by the Insurance Code that could be key for the development of inclusive insurance. The limitation of non-indemnity products could be challenging, notably as agriculture plays a key role in the economy of the country, providing most of the jobs and ensuring food security. Having group insurance regulated in the Insurance Code, as it is already the case, is an advantage for the responsible development of inclusive insurance. The requirement of consent from the MoF to cede abroad more than 75% of the risk to reinsurers could be a limitation in the context of inclusive insurance in an emerging market as in the DRC. The approval process of products seems proportionate and if carried out as described in the Code, this should not be an obstacle.
4. Information disclosure of and consumer acceptance	Electronic policies and signatures are not allowed, which is a major obstacles for the development of inclusive insurance and requires further in-depth analysis. The Insurance Code recognises simplicity, clarity, visibility and provision of contractual documents in a timely manner, this is positive for inclusive insurance. Consumers are protected against bad practices. The consequences of an insured party failing to comply with certain obligations are drastic, and seem inappropriate for inclusive insurance. It is an important barrier that in the case of married couples the signature of both spouses is required, this could pose enrolment problems The Anti Money Laundering (AML)/Combating Financing of Terrorism (CFT) regulations are proportional[10] and it is expected that they will not be an obstacle for the development of inclusive insurance.
5. Premium payment	The inception of the insurance contract in DRC depends on the payment of the premium and there is no recognition of grace periods to pay premiums, such provision is not appropriate for inclusive insurance. Payment through mobile devices is allowed by the regulation, which is key to facilitate premium payments in the context of inclusive insurance.

[10] A regulatory provision is deemed proportional when it is in compliance with the nature, scale and complexity of the risks inherent in insurers businesses, and does not place a disproportionate burden on insurers (as this could be the case for mainstream insurance). A proportional approach to regulating microinsurance business intends to strike a balance between enabling innovation and ensuring effective consumer protection for the low-income segment, which requires actions on both sides of the balance (The state of Microinsurance, Microinsurance Network 2015)

Elements of the Insurance Contract Life Cycle	Assessment of the applicable regulation to inclusive insurance
6. **Claims settlement and contract termination**	There are serious consequences, if the beneficiary fails to notify the insurer of the occurrence of the loss within the timeframe, which is inappropriate for inclusive insurance. The claim settlement process is extremely confusing and arduous; this will be a major obstacle for the development of inclusive insurance. The termination causes are inappropriate for the development of inclusive insurance.
7. **Complaints handling**	There is no clarity about the insurer's internal complaints handling mechanisms available for consumers, and the available external complaints handling do not seem appropriate. This is not positive considering the vulnerability of the typical consumer of inclusive insurance.

ARCA has the opportunity to consider inclusive insurance from its inception. ARCA's knowledge of, and involvement in, inclusive insurance is critical for market development. Given the potential of inclusive insurance to address millions of Congolese's needs, the topic deserves the engagement of high level staff and board members within ARCA. It will be challenging to ensure that ARCA staff have the necessary resources and skills, and that adequate systems are set up.

Proportionality in the regulatory approach is a difficult concept to grasp and to implement in practice. It is vital to build the necessary capacity first in order to apply this principle appropriately to inclusive insurance. Failure to do so will restrict the development of inclusive insurance and effective consumer protection.

Monitoring key performance indicators allows client value and sustainability to be assessed. More performance data needs to be collected and analysed, in particular, with respect to claims and renewals. The supervisory systems needs to respond to the particularities of inclusive insurance and data gathering and analysis is key.

There is an urgent need for more coordination and collaboration amongst supervisory authorities. The high number of authorities involved in the inclusive insurance value chain means that ensuring proper dialogue from the beginning is crucial. For example, when mobile insurance is developed, ARCA, the Telecommunication Authority and the Central Bank BCC should all be involved in the process.

5. Conclusions and recommendations for inclusive insurance market development

Organising insurance as formal risk protection mechanisms supports sustainable development by providing a buffer from the vicious circle of poverty and by building resilience. In the DRC, new insurance companies, mutual insurers, and distribution channels will create employments. Importantly, households and enterprises can be expected to be able to take out insurance products tailored to their needs. With greater security about their future in the event of a shock, they may be more likely to invest in business growth. Finally, insurance has the potential to catalyse the development of other financial services.

In the DRC, the potential of the insurance sector for the economy, individuals, and enterprises has yet to be realised. Insurance penetration in the DRC is as low as 0.4% of Gross Domestic Product (GDP), with an average insurance premium of USD 1 per inhabitant, compared to USD 18 in the Ivory

Coast, USD 80 in Morocco and 1,054 in South Africa.[11] Only 10% of insurance available is formally provided, and 80% of coverages is for vehicle insurance. The potential for insurance protecting individuals and businesses in the DRC, and for capital accumulation in the economy has yet to be realised.

Addressing the limitations of the insurance market in the DRC will require huge investments. During five decades, the market was depending on SONAS and, for large risks, on foreign insurers. The products range was limited and their quality deficient. Private households and enterprises had a restricted choice in terms of insurance products and providers. For most Congolese, this meant that they were not able to use formally provided insurance. Many of those compelled to or able to use insurance had bad experiences. Addressing these inherent weaknesses will require huge investments in man-power, systems, organisational structures and institutions.

There are several growth drivers of insurance markets in Sub-Saharan Africa (SSA) including the DRC, among which technology ranks high. Growth drivers for insurance market development in the DRC are: (i) positive GDP growth (as a top driver); (ii) very low insurance penetration; (iii) rapidly growing population; (iv) rising consumer demand; (v) new technology; and (vi) organic growth and merger and acquisitions. For inclusive insurance in the DRC, new technologies are perhaps the most important factor that could unlock market development. This includes online and mobile underwriting platforms for policy quotations, renewals and claims management; distribution channels that enable online and mobile purchases and premium payments; and new information technology (IT) software and hardware to facilitate data analysis, risk-based pricing and data storage.

The emerging insurance market in the DRC requires coordinated public and private sector stakeholders. Engaging both public and private stakeholders in the process of building necessary structures and capacities for insurance market development in the DRC requires a well-planned and coordinated approach, in order to be highly efficient. Broad-based motivation and financial and technical support is needed, as insurers may be reluctant to start with a difficult, risky, and uninformed client group such as the low-income segment or MSMEs. Significant support is required from the government and development cooperation to motivate and enable the industry to provide inclusive insurance. In such a process it is important to leverage contributions from various international development agencies, foundations and investors engaged in financial sector development and related fields such as private sector development.

Six key strategic points are suggested for supporting inclusive insurance market development in the DRC. These strategic points are based on a holistic approach, which aims to develop the insurance sector from different perspectives in order to promote the development of a responsible inclusive insurance market. All stakeholders should be engaged in the implementation of this strategic points. However, the extent of involvement and leadership may vary. The proposed strategic points are:

(1) A responsible and skilled insurance industry that will offer products with value for all Congolese, and build trust;
(2) Consumers aware and capable to access, afford and use insurance products that make them resilient;
(3) Conducive public policies recognising the role and potential of inclusive insurance;
(4) Proportionate[12] regulation that promotes the development of inclusive insurance and effective consumer protection;
(5) Appropriate supervision that promotes trust in the emerging insurance market;

[11] La mise en place de l'Autorité de régulation de contrôle des assurances, EY 2016b
[12] See Glossary of insurance terms, Annex 12

(6) Public-private stakeholder coordination, collaboration and joint learning.

Strategy 1 - A responsible and skilled insurance industry: Experiences from other African countries suggests that, over a 10-year period, millions of Congolese have the potential to purchase client centric products. This can be realised if a small number of insurers is committed to inclusive insurance, developing SUAVE (Simple, Understood, Accessible, Valuable and Efficient), managing effective business partnerships, using a modern technology-based approach to distribution. Support to the industry should be provided in the following areas:

- Transferring know-how on good practice in inclusive insurance developed elsewhere;
- Leveraging the potential of mass market distributors;
- Supporting the capacities of insurers and distribution partners to provide mobile insurance;
- Replicating microinsurance products successful in other markets;
- Supporting the development of group policies;
- Offering credit life products;
- Supporting the development of capacities, skills and systems in the industry;
- Fostering leadership at the insurance industry level;
- Studying the potential of self-regulation;
- Creation of customer care departments in the licensed companies;
- Setting-up an "insurance ombudsman" in the context of the insurers association;
- Integrating of industry good practices to treat customers fairly.

Strategy 2 - Consumers aware and capable: Financial education should incorporate a focus on the concept of insurance, the range of insurance products and the risks they can cover. Financial education measures should also focus on certain target groups such as the youth, women and MSMEs. In addition to educational measures, exposure to simple insurance products for MSMEs and households (see Strategy 1) with real value to consumers will also ensure an improvement of consumer awareness and install trust. Activities should include the following:

- Fostering insurance education with tailored programmes and partners that reach out to potential clients (with a particular focus on MSMEs owned by women and the youth, both in the urban and rural areas);
- Mobilising joint (public-private) funding for insurance education;
- Relying on insurance education and ensuring the offer of SUAVE products;
- Fostering that lenders make insurance products compulsory for their borrowers as this teaches them how to use insurance. Voluntary purchases cannot be expected in an emerging market.

Strategy 3 - Conducive public policies: Insurance is a key element for economic and social development, and an integral part of financial sector development. However, there is still a lack of awareness of the contribution of insurance to achieve other seemingly unrelated public policies, such as rural development, agricultural development of disaster risk reduction (DRR). Activities should include the following:

- Adopting a clear policy mandate to promote responsible inclusive insurance; The DRC should devise an inclusive insurance development strategy in order to optimise the impact of insurance and reduce inefficiencies.
- Policymakers should ensure that there is a wide recognition of the contribution of insurance in all the relevant policy agendas;
- Officially recognising insurance as a key component of the National Financial Inclusion Strategy;
- Insurance needs to be part of the up-coming National Financial Education Strategy.

Strategy 4 - Proportionate regulation: The liberalisation of the insurance industry is a unique opportunity to effectively construct key elements of this emerging market. However, certain provisions in the regulatory framework are inappropriate for motivating and protecting future inclusive insurance clients. The following approaches and activities are recommended:

- Tackling the barriers for the responsible development of the inclusive insurance market by developing a Regulatory Road Map for inclusive insurance identifying the way forward in related regulation;
- Promote the adoption of an Inclusive Insurance Law that would resolve the most important barriers currently existing in the Insurance Code. Until such a law may be adopted, it is recommended to overcome most of the barriers through proportionate supervision and also, enhanced dialogue of ARCA and the industry in order to ensure the adoption of good practices and a Code of Conduct (self-regulation).
- Specific regulatory recommendations for ARCA:
  - Assess the size of the informal providers in insurance or risk pooling and decide on a formalisation approach;
  - Allow all potential distribution channels and transactional platforms provided the compliance with proportional market conduct rules;
  - Banking agents should be allowed to play a role in inclusive insurance;
  - An assessment of the regulation on mobile money is needed to ensure that potential barriers are removed and mobile microinsurance can be implemented;
  - Provide the tools to allow the development of parametric insurance products;
  - Explore the possibilities of easing the process of provision of consent when more than 75% of the risk is ceded abroad in collaboration with the MoF;
  - The approval of insurance products should be smooth and efficient;
  - Move forward the discussions on electronic policies and signatures in the DRC;
  - Assess the feasibility of allowing grace periods for the payment of premiums in inclusive insurance;
  - Adopt a clearer and shorter claim settlement process for inclusive insurance;
  - Reform the article of the Insurance Code that provides the termination clauses that are inappropriate for the development of inclusive insurance;
  - A provision on internal complaints handling should be adopted;
  - External complaints handling led by ARCA needs to be transparent, further regulation by ARCA is needed.
- Adopting a comprehensive consumer protection regulation for all consumers of financial services.

Strategy 5 – Effective Supervision: There is an opportunity for ARCA to consider inclusive insurance from its inception. Proportionality is a difficult concept to grasp and to implement in practice, which requires capacity building on how the principle is applied to inclusive insurance will be essential. Monitoring of key performance indicators allows assessing client value and sustainability of microinsurance business. Finally, there is an urgent need to ensure coordination and collaboration amongst supervisory authorities of the entities involved in the inclusive insurance value chain. The following activities are recommended:

- Training of ARCA staff;
- Setting up an ARCA internal coordination committee on inclusion; comprising staff of all relevant departments;
- Focus on seven priority areas:
  - Understand the particularities of inclusive insurance consumers and be aware on how to protect them effectively;
  - Consider inherent regulatory barriers and have a plan to overcome them;
  - Learn how to monitor inclusive insurance;
  - Encourage positive behaviour and impose proportionate sanctions;
  - Understand the industry and engage in a close dialogue to agree on good practices;

- Be an active member of the regional dialogue of supervisory authorities.

Strategy 6 – Collaboration: Public - private and public-public dialogue, coordination and collaboration is key for effective insurance market development. The following activities are recommended**:**

- Organising stakeholder coordination and collaboration;
- Establishing an Inclusive Insurance Committee (IIC) as permanent platform for inclusion:
  - A taskforce working on strategic coordination;
  - Technical task forces working on technical themes and ad-hoc issues;
- Fostering national sector learning.

6. Recommendations for ELAN and Essor

The following activities proposed for the ELAN and Essor programmes are examples of what an engagement from international development stakeholders could be. The proposed contributions are intended to be a base for a multi-stakeholder process of inclusive insurance market development. The details of the implementation of these activities will however need to be agreed with relevant public or private sector counterparts and in the framework of the Inclusive Insurance Committee. Importantly, other contributions from the DRC government and international agencies will be crucial for efficient sector development.

Strategy 1 - Industry self-regulation - recommendations for ELAN and Essor

Proposed measure	Programme
Collect good practices of "Code of Conduct in Inclusive insurance" at international level and share them with the insurance association to be set up in the DRC, and foster a regional debate on this topic within the SADC and CIMA regions	Essor

Strategy 1 - Improving the capacities of the industry - recommendations for ELAN and Essor

Proposed measures	Programme
Foster capacity building of insurers on topics including product design and actuarial knowledge involving international reinsurers and regional insurers: o Train multipliers about inclusive insurance and its impact for economic growth and sustainable development, and on criteria for 'good' insurance; o Promote the integration of risk concepts and insurance as topics in the National Financial Inclusion Strategy	Essor
Support the industry association during their launching; and with the organisation of thematic workshops, presenting lessons from other countries on good practices regarding products or regulation in national events; and solving challenges in coordination with the authorities.	Essor
Support product development: o Develop pilot products for microinsurance clients and MSMEs in growth poles; o Implement market research for selected MSMEs including women-owned MSMEs on their insurance needs; o Identify the features of a client centric approach to product development and service culture of insurers and distribution channels and integrate this into trainings; o Identify promising insurance products for MSME insurance that were successful in other emerging insurance markets and organise know-how transfer.	ELAN
Support business partnerships: Identify business models that have proven to work with MSMEs; organise a workshop about innovative distribution partnerships, the challenges they will face and good practices from other countries	ELAN

Strategy 2 - Consumer education - recommendations for ELAN and Essor

Proposed measure	Programme
Sensitise public and private stakeholders – as multipliers - on educating the population on risks, risk management and insurance.	Essor
Support the integration of insurance themes (risk, products, and client issues) into the financial education strategy.	Essor
Implement training on insurance as a risk transfer mechanism for different segments of MSMEs (e.g. differentiated according to size, sector and location).	ELAN
Implement training on risk exposure, perception and risk reduction strategies for MSMEs; and how to prioritise risks (e.g. insuring their mobile phone is less important than life cover), what are insurable risks, which are greatest risks, and how they can assess them.	ELAN
Sensitise and provide information to stakeholders about MSMEs insurance needs.	Essor and ELAN
Conduct a study on preventive measures that support insurability for MSMEs with a business association.	ELAN
Support implementation of insurance by sensitising and informing MSMEs about these protective measures and their positive impacts.	ELAN

Strategy 3 - Policy level - recommendations for ELAN and Essor

Proposed measure	Programme
Support the creation of the Inclusive Insurance Committee to involve other policy spheres.	Essor

Strategy 4 - Proportionate regulation - recommendations for ELAN and Essor

Proposed measure	Programme
Help promote the dialogue between ARCA, the MoF and others about the obstacles of the Insurance Code and develop a strategy to confront these obstacles in the short, medium and long term.	Essor and ELAN
Based on the dialogue above, in inclusive insurance coordination committee of ARCA, develop a Regulatory Road Map on Inclusive Insurance to address legal and regulatory barriers and propose a proportionate approach.	Essor
Support ARCA and the MoF in the identification of the flexible provisions in areas which are current obstacles for inclusive insurance and could be amended by an ARCA instruction.	Essor
Promote the dialogue and the adoption of a strategy on electronic signatures and policies.	ELAN
Involve ARCA in the process of drafting of the banking agents regulation led by the BCC and foster dialogue.	Essor
Carry out a specific analysis of the level of appropriateness of the regulatory framework in the DRC for mobile microinsurance.	ELAN
Carry out a specific analysis of the level of appropriateness of the Insurance Code and other regulations for the development of mutual insurance in DRC.	ELAN

Strategy 5 - Effective supervision - recommendations for ELAN and Essor

Proposed measure	Programme
Training of ARCA staff in inclusive insurance	Essor
Advising ARCA how to create the internal inclusive insurance coordination committee	Essor
Supporting ARCA to develop a monitoring system for inclusive insurance based on key performance indicators discussed with the industry	Essor and ELAN
Act as liaison between ARCA and projects aiming to understand the target market of inclusive insurance so ARCA can participate and have access to the results of demand studies	Essor
Support regional dialogue, peer-exchanges and learning	Essor

Strategy 6 - Interinstitutional coordination and collaboration - recommendations for ELAN and Essor

Proposed measure	Programme
Support setting up and operations of the IIC: o STF - meetings (every 6 months, later yearly) o TTF meetings (meeting regularly e.g. every 2 months, offering thematic lunches, presenting lessons from other countries on products or regulation in national events.	Essor
When possible and relevant, support external inputs to events or IIC meetings; speakers to present lessons, dissemination of studies and other materials.	Essor

1. Introduction

1.1 Objective of the study and scope

The objective of this study is to improve understanding of the key factors influencing inclusive insurance market development in the DRC, to identify concrete measures to improve access to insurance. This study aims to assess the barriers in access to and the supply of insurance; to identify the future opportunities of inclusive insurance market development, as well as the market potential and stakeholders to be engaged for such a development in the DRC.

This study is an assessment of the current situation, barriers to and potentials for inclusive insurance in the DRC. The study delves into the three key factors of inclusive insurance market development, namely demand, supply and the enabling environment.

- The demand-side assessment considers clients or potential clients. The population group in the focus of the study are MSMEs, their owners and families, and any private individuals considered low and middle income having no or insufficient access to insurance, their risk awareness and risk management strategies, their current uptake of insurance, the barriers they face when using insurance services, and their vision for inclusive insurance market development.

- The supply of insurance considers the current and potential providers of insurance services (insurers and distribution channels) and the products they are offering, or may offer. It considers traditional and non-traditional distribution channels.[13]

- The enabling environment considers the policy environment, the current situation in terms of legal and regulatory provisions and the future supervisory structure.

1.2 Structure and methodology

The study consists of six chapters. Chapter 2 describes the current overall environment, country context and the financial sector. Chapter 3 explores the characteristics of the demand-side (general features, low-income households and MSMEs); highlights what risk management strategies they use (financial and non-financial strategies); shows the current level of awareness and use of insurance (formal and informal[14]). Chapter 4 describes the current product offering and insurers. Chapter 5 sets out the enabling environment. Chapter 6 draws conclusions and provides recommendations in general related to insurance sector development; and specifically for the inclusive insurance engagements of two programmes Essor/Access to Finance workstream (A2F) and ELAN.[15]

This paper is an “Inclusive Insurance Diagnostic” on the insurance sector in the DRC, its situation and potentials. The study includes a chapter on demand (chapter 3), which was implemented as a separate study in October 2016, and later incorporated in this study. The study builds on three main information sources:

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[13] Traditional distribution channels are agents and brokers, banks, MFIs and cooperatives; **non-traditional channels** are MNOs, e-money providers, post offices or retailers; the latter mostly non-financial organisations

[14] **Formal insurance**: licensed means by a competent authority legally in charge of insurance; **informal** insurance means not under such a license but provided as self-insurance or community-based pooling scheme.

[15] Essor is a private sector development programme and has an Access to Finance Component including a focus on strategy development, building an insurance industry association, and focusses on insurance and leasing; ELAN is also a private sector development programme.

- **Interviews**: The team held interviews with stakeholders from the government, the private sector (mainly banks and Microfinance Institutions, MFIs), distribution channels and brokers, and investors of future insurance companies (see Annex 1, Consultations);[16]

- **Focus Group Discussions (FGDs)**: Owners of 27 MSMEs participated in FGDs as a qualitative market research tool. The purpose was to comprehend the views and perceptions among participants on insurance (see Annex 3, Demand: About the FGDs).

- **Studies:** Such as the DRC Financial Sector Diagnostic Making Access Possible Study of 2016,[17] and the related Road Map,[18] and interview summaries that were conducted prior to the in-country mission by Essor and ELAN (see Annex 2, Demand insights) as well as a variety of national and international reference documents (see Annex 11, Bibliography).

1.3 Defining the various types of inclusive insurance

There are different ways to define microinsurance (MI) and inclusive insurance. Microinsurance is a type of specifically designed set of insurance products aimed at the low-income segment. The term “microinsurance providers” also refers to insurers and distribution channels that specialise in this business line. Inclusive insurance has a much wider meaning, reflecting a more general strategic approach to serving the un- and underserved market (for more details, see Box 1).

The DRC has no national definition of “microinsurance”. A country or jurisdiction can agree on a definition for MI. For instance, the insurance supervisors in Peru, Brazil, Mexico, the Philippines and Ghana have a legal definition of microinsurance.[19] An alternative approach is for industry to agree on a definition. For example, the Colombian insurance association has issued a definition of microinsurance; they use this definition to monitor industry performance of microinsurance business.

Box 1 – Defining microinsurance and inclusive insurance

- **The Microinsurance Network states that** “***microinsurance is*** *insurance services developed specifically for low-income people, managed based on insurance principles (government cannot be the sole risk carrier), and has modest premium levels to be affordable.*”[20]

- **The International Association of Insurance Supervisors (IAIS) has defined microinsurance** as “*insurance that is accessed by low-income populations, provided by a variety of different entities, but run in accordance with generally accepted insurance practices (which include the Insurance Core Principles of the IAIS) … this means that the risk insured under a microinsurance policy is managed based on insurance principles and funded by premiums. Premiums can be privately or publicly funded, or a combination of both. The microinsurance activity itself should therefore fall within the purview of the relevant domestic insurance supervisor*”.[21]

- The “IAIS Issues Paper Conduct of Business in Inclusive Insurance (2015)” states that “***inclusive insurance is used in this paper in the broad sense of the word, denoting 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. In developing countries, the majority of the population is often*

[16] The in-country mission took place from 10th October to 21st October 2016 in Kinshasa, DRC.
[17] MAP 2015
[18] Road Map (to MAP), Cenfri, FinMark Trust and UNCDF 2016
[19] Access to Insurance Initiative (A2ii) Consultation Call Note Définition réglementaire de la micro-assurance
[20] Expert Forum: Microinsurance in Africa, Module Microinsurance in Africa and Product Evolution, Microinsurance Network 2016
[21] IAIS Issues Paper on the Regulation and Supervision of Microinsurance, IAIS 2007

> *classified as underserved or excluded. Thus inclusive insurance is a mainstream topic of relevance to the development of the retail insurance market as a whole".*[22]

Various types of insurance can contribute to an inclusive insurance sector. In summary they are:

- **Microinsurance** products offered to the low-income segment. Notably, microinsurance is also available for other population segments. Microinsurance products need to be SUAVE (Simple, Understood, Accessible, Valuable and Efficient) as they must serve the needs of low-income households. SUAVE means that the risks covered should be relevant to the target market, the terms and conditions should be appropriate for the consumer profile, and the product appropriately priced for the premium paying capacity of the customer (see also Box 7 in chapter 6.3.1).[23]
- **Bancassurance** products are products that targets bank clients, and are distributed by formal financial institutions. Such products can overlap with the other categories.
- **Mass insurance** products are simple products for any type of client, distributed by mass marketers that are also called "client aggregators."[24] They are regulated specifically in some Latin American countries, but not in Africa.[25]
- **Mobile insurance** is insurance delivery with the support of the mobile phone technology.[26]
- **Insurance for MSMEs or SMEs** is not defined. It is insurance targeting these enterprises and can be any type of insurance, that ensure the business owner, his employees or assets of the business (e.g. stock, machines, vehicles, premises) against a wide variety of risks.

The types of risks these insurance lines cover vary. Inclusive insurance products comprise personal and asset insurance (also called life[27], and non-life insurance)[28], and insure a broad range of risks such as death of a family member, accidents, simple health, such as for hospitalisation; and asset insurance for risks such as fire, theft or catastrophes endangering houses, stock or vehicles, or the loss of crops and life-stock.

Terminology used in this study. This study uses the terms microinsurance, mobile insurance and MSME or SME insurance as appropriate in the specific context. Inclusive insurance is used as an overarching term, meaning the strategy and promotional measures to serve unserved and underserved population segments including MSMEs more generally, without having a specific target group or certain product criteria in mind.

[22] IAIS, 2015
[23] IAIS 2015, SUAVE Cecklist for Microinsurance Products: Enhancing the potential for sucuess, Microinsurance Centre 2011
[24] A **client aggregator** can be a MNO, a retailer, a post office, an association, whoever "aggregates" massive numbers of clients in a non-financial business.
[25] A2ii, 2016
[26] BMZ, Responsible Mobile Insurance, 2015
[27] **Life insurance** is "Coverage providing for payment of a specified amount on the insured's death, either to the deceased's estate or to a designated beneficiary; or in the case of an endowment policy (insurance with a savings component), to the policyholder at a specified date". NIC 2015
[28] **Non-life insurance** policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event. Non-Life insurance is typically defined as any insurance that is not determined to be life insurance.

2. Country context and financial sector

2.1 Socioeconomic and country aspects

The national context for insurance sector development is challenging. The DRC has made significant progress in improving governance, infrastructure and driving economic growth; however, certain core factors remain a challenge for private sector and insurance market development:

- **Growth driven by few sectors:** Since 2010, the DRC has enjoyed average economic growth of 7%, which is above the 5% Sub-Saharan Africa (SSA) average for the period. At the end of 2015, growth stood at 6.9%. Growth has been led by the mining sector (accounting for 44% of Gross-Domestic Product (GDP)), and the telecom, oil and wood sectors. The agricultural sector is also dominating, accounting for about 70% of the working population.[29]

- **Economic indicators have become more challenging in the last year.** Inflation, which stood at a low with 1.03% in 2014[30] and at 1.6% in 2015[31] rose in 2016 to a year-average of 11.75%.[32] In a still highly dollarized economy, lower world market prices for main export goods and also, political tensions resulted in lower economic forecasts. The growth rate of 4.4% against the forecast of 6.8% is expected for 2016.[33]

- **Poverty levels in the DRC are significant.** Despite a reduction in the poverty rate from 71% in 2005 to 64% in 2012, the poverty rate remains high in the DRC.[34] The country experiences some of the highest levels of poverty and the lowest levels of human development and employment in the region. With 77% of the population living with USD 1.90 per day, the majority of the population will find it challenging to afford insurance.[35] Heightened food security concerns affect 75% of the population.[36] Per capita gross national income (GNI) is USD 380.[37] The national unemployment rate for the 15-24 age range is 32%.

- **Infrastructure and security constraints and political instability are important concerns**. The electricity infrastructure reaches only 18% of the population with frequent power interruptions[38]. The quality and efficiency of the educational system is weak, with only 18% of pupils advancing to the secondary education; and about 2 million people are internally displaced due to armed conflicts.[39]

- **Modern communication technologies are slowly on the rise.** In the DRC, there are 43.8 million mobile phone connections and 22 million unique subscribers (one person can have several SIM cards)[40]. The coverage rate of 31% of the population is lower than the SSA Africa average of 40%. Certain factors hamper greater mobile penetration, such as excise duties on top the standard value-added-tax (VAT), relative high customs duties on imported handsets, many regions without

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[29] Assessment on how strengthening the insurance industry in developing countries contributes to economic growth, USAID 2006 https://www.usaid.gov/democratic-republic-congo/agriculture-and-food-security
[30] BCC; Rapport d'activités de la Microfinance, Edition 2014
[31] Veille Sectorielle 2er Semestre 2015, Fonds pour la Microfinance (FPM) 2015
[32] BCC http://www.bcc.cd
[33] Veille Sectorielle 1er Semestre 2016, FPM 2016
[34] http://www.worldbank.org/en/country/drc/overview#1
[35] http://povertydata.worldbank.org/poverty/country/ZAR
[36] 2013– 2017 Country Strategy Paper African Development Bank, ADB 2013 http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Democratic%20Republic%20of%20Congo%20-%202013-2017%20-%20Country%20Strategy%20Paper.pdf
[37] https://www.gsmaintelligence.com/markets/522/dashboard/
[38] https://www.usaid.gov/democratic-republic-congo/agriculture-and-food-security
[39] ADB 2013
[40] FPM 2016

connection and low education levels.[41] As of the end of 2015, 97% of SIM cards were prepaid, and SIM penetration was 55% (which means unique mobile subscribers); there are five Mobile Network Operators in the market.[42] The GSM-Association (GSMA) classifies the DRC as a "discoverer" market because connectivity and smartphone penetration is still relatively low; a signification population segment can simply not afford a mobile.[43]

- **The society in the DRC is still mainly cash-oriented and paper-based**. For payments, people and businesses in the DRC rely predominantly on cash, which allows informal finance to prosper (see below 2.2). Mobile phone registrations still need to be on paper.[44]

- **Many people live far from services in rural and remote areas, which are regionally diverse**. In a country or 2.3 million square kilometres and 81 million Congolese, of which 57.5% live in rural areas.[45] Provincial capitals are located on average 1,700 km from Kinshasa.[46]

- **The geographic regions in the DRC have significant socio-economic differences**. Different parts of the country exhibit substantial differences in language, economic opportunity, trading patterns, infrastructure access, environment and poverty. The DRC shares borders with nine countries and often, cities in neighbouring countries are much closer than its own provincial town or the capital within the DRC. The ongoing conflict in the Eastern DRC remains an issue.

- **The DRC's terrain and climate makes communication difficult.** The country experiences very high rainfall (2,000 mm per year) and a high frequency of thunderstorms. A dense blanket of rainforest covers large parts of the country. Such terrain and climate pose serious barriers for road and rail construction and the distances between populations can be very large. The DRC has fewer paved roads than any country its size in Africa and many roads are impassable in heavy rain. This makes the provision of public services very challenging.

- **In the past decade, the wave of reforms to modernise the DRC's economy and governance has been generating results.** Among those are reforms to improve economic governance and transparency. Contracts signed by the government in the oil, mining, and forestry sectors are available to the public and they regularly publish revenues from natural resources.[47] Privatisation of government institutions has made some progress in the areas of railway, post and telecommunication.[48]

- **Challenges in the legal and justice system make the environment for insurance difficult.** Providers (insurers and intermediaries, i.e. the brokers) and consumers are faced with an uncertain legal environment and a generally weak application of rules and regulations in the DRC. For example, even when an insurance client wins a lawsuit there is a low probability that the verdict is implemented and compensation is fully paid.

- **Social protection and safety nets are fragmented and inefficient.** The government has an out of date and uncomprehensive social protection strategy. The strategy from 2004 is in the process of

[41] Digital Inclusion in the Democratic Republic of Congo: taxation to support mobile affordability, growth and investment, GSMA 2015
[42] Vodacom, Airtel, Africell, Orange and Tigo (the two latter have merged but will only be fully operational as one entity in 2017)
[43] Discoverer market are emerging markets (34% of the world population)
[44] GSMA 2015
[45] World Fact Book of CIA; https://www.cia.gov/library/publications/the-world-factbook/geos/cg.html
[46] Country Assistance Strategy, World Bank 2013
[47] http://www.worldbank.org/en/country/drc/overview#1
[48] Comité de Pilotage de la Réforme des Entreprises du Portefeuille de L'Etat (COPIREP), UNICEF 2015

being updated.[49] Temporary programmes are structured as short-term emergency aid and are limited to specific vulnerable groups or the Eastern part of the country.[50]

- **Health mutuals societies cater for a significant part of the population.** In 2012, the DRC had 98 health mutual societies serving 3 million members, generally organised as community-based and workplace-based schemes. Today, the "mutuals", are covering approximately 5 million people. The average contribution is USD 4.5 per person monthly, often deducted from salaries. Some mutuals are dynamic.[51] They work with associated community-based health centres, providing basic health care services. Many of the mutuals are members of the POMUCO ("*Plateforme des Organisations Promotrices des Mutuelles de santé du Congo")* association*.* Many of the mutuals are small, just a few have thousands of members.

- **Gender differences are significant.** Women earn 46% of the salary men receive for the same work.[52] In terms of the gender equality index, the DRC is ranked 144th out of 148 countries. Gender inequalities exist in all sectors for example health, political participation, health and access to resources (financial, natural, judicial); coupled with alarming fertility rates this situation makes life for women particularly hard.[53]

The business environment and private sector development still faces severe constraints. Major constraints include the length of the process required to start a business; tedious customs formalities, taxes on companies and execution of contracts. Notably, the DRC is ranked at 184th out of 190 countries in the World Bank's "Doing Business Report 2017".[54] The 10 topics included in the ranking 2017 are: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Getting credit considers legal rights for borrowers and lenders, and how credit information is shared.[55] Strengthening the private sector and MSME development to improve job creation and independence from imports is an explicit policy goal. **There are several growth drivers of insurance markets in SSA including the DRC, among which technology ranks high.[56]** The global consultancy Ernst & Young has identified growth drivers for insurance market development in six SSA countries, which are equally valid for the DRC. Those six growth drivers are: (i) positive GDP growth (as a top driver); (ii) very low insurance penetration; (iii) rapidly growing population; (iv) rising consumer demand; (v) new technology; and (vi) organic growth and merger and acquisitions. For inclusive insurance in the DRC, new technologies are perhaps the most important factor that could unlock market development based on the experience of countries such as Kenya and Ghana. This includes online and mobile underwriting platforms for policy quotations, renewals and claims management; distribution channels that enable online and mobile purchases and premium payments; and new information technology (IT) software and hardware to facilitate data analysis, risk-based pricing and data storage.

[49] Annual Report 2015 DRC, UNICEF 2015
[50] World Bank 2013; Livelihoods, basic services and social protection the DRC, Wagenen University 2012
[51] La plateforme des organisations promotrices des mutuelles de santé du Congo (POMUCO)
[52] World Bank 2013
[53] Gender Country Profile DRC, Dr. Laura Davis, Paola Fabbir, Ilo Miuthaka Alphonse, Swedish Embassy 2014
[54] Doing Business 2017: Equal Opportunity for All. Washington, DC, World Bank 2016c
[55] Doing Business 2016: Measuring Regulatory Quality and Efficiency, World Bank 2016b
[56] EY 2016

2.2 The financial sector in the DRC

The Congolese financial system is shallow and underdeveloped.[57] The historical context of the DRC with two periods of conflict-induced collapse of the financial sector explains many of its weakness up until today. Compared to neighbouring countries, the landscape of institutions in the DRC is limited. In 2013 the financial sector comprised 17 banks, one state insurance company, the National Social Security Institute (“*Institute National de Sécurité Social”, INSS*), 21 Microfinance Institutions (MFIs), 101 and Credit Cooperatives (SACCOs, “*Coopératives d'Epargne et de Crédit*”)[58]; 59 remittance companies; 3 mobile money providers and 37 insurance brokers. There is neither a stock market nor a debt capital market. The banking sector accounts for about 95% of total assets in the financial system. By the end 2012, five banks held close to 65% of all bank deposits, indicating a high level of concentration in the sector. Of all bank branches, 61% are in Kinshasa.[59] Furthermore, the financial sector faces a skill deficit among staff.

The capacity of the government to regulate and supervise the financial sector is slowly increasing. The supervisory approach of the Central Bank (“*Banque Centrale du Congo”, BCC*) relies on checks on compliance with laws and regulation. However, with the objective of allowing innovation, BCC expressed that they apply a test-and-learn approach in some areas. However, the latest Financial Sector Stability Assessment states that BCC's technical capacity as well as supervisory data is weak, as are other data information sources on the financial sector. There is the Insurance Code and a Decree, but no detailed regulation for insurance. The insurance supervisory ARCA *(“Autorité de Régulation et de Contrôle des Assurances”)* has been established, with key management staff already being appointed.

The underdevelopment of the capital market affects insurance companies as they will have little investment alternatives which limits their strength and growth capacity. The DRC has neither a stock market nor a debt capital market. Government bonds are extremely limited, as is the interbank lending market.[60] The capital available to the banking system is mostly raised from deposits, which totalled approximately USD 3 billion in mid-2016. Interestingly, it is estimated that there are USD 10 billion of savings held outside the banking system. The fact that long term savings are mostly held in the informal sector is a lost opportunity. Insurers and pension funds are institutional investors who provide long-term capital and fulfil an important role for the economy and the development of capital markets, but given that long-term capital is scarce in the DRC, this important function is almost non-existent. Moreover, even when capital is available to be invested, investment options in the DRC are scarce. Indeed, most financing options have short dated maturities.

The Government is focused on financial sector reforms. Soundness and inclusiveness of the financial system is high on the government's agenda. Besides the national financial Inclusion Strategy, which is currently being developed, the government and the BCC have taken important steps to make access to finance a reality, such as the *bancarisation* initiative (the *bancarisation* policy of paying civil servants through a bank account has been implemented since 2011[61]), the development of a regulatory framework for the national payment system, and allowing agency banking and electronic money, amongst others.

[57] Financial Sector Stability Assessment, IMF 2014; and Rapport d'activités de la Microfinance BCC 2014,
[58] La MicroFinance, Magazine trimestriel d'information sur les banques, les IMF et les Coopératives d'épargne et de crédit, N°02/ Octobre – Décembre 2016
[59] FPM 2016
[60] Road Map/MAP 2016
[61] DRC – Country Report 15/280; 2015 Article IV Consultation – Press Release; staff report; and statement by the Executive Director of the DRC, IMF 2015

Trust in the formal financial sector in the DRC is low. Savings are mostly kept outside of the financial system due to lack of confidence.[62] Most consumers do not trust banks and SACCOs.[63] In insurance, there is simply no trust at all. This was confirmed in all interviews, with the 27 MSMEs who participated in the FGD, and in several studies such as MAP, the Consumer Needs study of Altai, and the Consumer Protection study of the BCC: the lack of trust was mentioned as the most severe deficiency in the financial sector.[64] Notably, in the DRC there are 31 MFIs, Banks and SACCO that have endorsed the client value principles of the "Smart Campaign"[65] These principles are also important in the area of inclusive insurance.

Informal financial services and the use of cash are widespread. Savings clubs and savings groups (*Tontines*) are widespread; 17% of adults are using them. Among the many informal mechanisms are: money lenders (*Banque Lambert*); risk pooling groups that are workplace or community-based (*Acosi*); deposits in shops (*Carte Bwakisa*) and health mutuals. The reliance on cash for payments is very high (over 90% of transactions are in cash): rent, water, electricity, food and school fees are paid in cash (between 94 and 96%); only airtime is somewhat different, with 89%.[66] Efforts to reduce the use of cash include the financial inclusion of all civil servants, which has almost been completed. Only 4% of the population has an account at a formal financial institution.[67] About 43% of enterprises in the DRC do not have a checking of savings account in 2013, compared to an average of 13% for SSA; more than 90% of enterprises do not have a loan or line of credit, against 77% in SSA.[68]

Financial services are neither diverse nor broadly available. Whereas domestic credit has tripled between 2006 and 2013, credit remains scarce, expensive, and short term. In 2011, only 2% of adults obtained a bank loan, which compares to an average of 5% in the Sub-Saharan region; and short-term credit represented about 68% of all credit (end 2012).[69] In 2016, there were only seven bank branches per million adults, which is far below other African countries; e.g. neighbouring Rwanda has seven branches per 100,000 adults, and Sudan has three per 100,000. Similarly, the Automatic Teller Machine (ATM) density is also very low with only 438 ATMs for the entire country.[70]

Traditional money transfer operators (MTOs) are widespread. Money transfer services account for 75 providers and 389 service points.[71] Despite their relatively high tariffs, they have certain competitive advantages such as availability of liquidity, their presence in remoter areas and that people are used to their services as 24% of adults surveyed by the FinScope study 2015 were using MTOs.[72]

Mobile money services are on the rise.[73] Since 2012, three mobile network operators (MNOs) have established electronic money institutions (EMIs) as separate companies.[74] Compared to the 43.8 million mobile users registered, as of February 2016, 12.2 million clients are registered with EMIs, of which 13% are active users.[75] As of April 2016, the three EMIs have transacted almost USD 57 million through the 1.6 million active accounts they administer.[76] Orange Money registered at the end 2015 bringing the number of operators to four. The mobile money sector faces many challenges: mobile penetration

[62] Financial Sector Stability Assessment, IMF 2014
[63] MAP 2015
[64] MAP 2015, Opportunités offertes par le Mobile Money pour les Institutions Financières en RDC, Altai 2016; La Protection des consommateurs de services financiers en RDC, BCC 2013
[65] http://www.smartcampaign.org/tools-a-resources/682 The Smart Campaign embodies a set of core principles for the treatment of microfinance clients (consumer protection) e.g about appropriate product design or transparency, and client data confidentiality.
[66] MAP 2015
[67] GSMA 2013
[68] IMF 2015
[69] World Bank's 2011 Findex data http://databank.worldbank.org/data/reports.aspx?source=1228
[70] Altai 2014, from IMF Financial Access Survey
[71] MAP 2015
[72] MAP 2015
[73] FPM 2015
[74] Orange Money, Airtel Money and M-Pesa/Vodacom
[75] FPM 2016
[76] FPM 2016

is increasing but those who have access experience poor reliability and patchy services; the lack of electricity connections makes charging of mobiles difficult and mobile phone agents in rural areas do not have a broad set of skills and knowledge. The opportunity is still huge for integrating cash-less payments in the country and across borders, as well salary or public utility payments.

Agent banking in the DRC is expanding, building on the MFIs. Banking agents organised in a network of local merchants and shopkeepers provide basic banking services on behalf of a bank or MFI. In the DRC, the largest MFI already conducts 75% of its transactions through its 750 agents.[77] For formal financial institutions, banking agent-managed transactions are 3 times cheaper than transactions in a full agency; and setting up an agent is 100 times cheaper than creating an agency.[78]

The microfinance sector[79] shows rapid growth but remains undeveloped.[80] The total 123 organisations - 102 SACCOs and 21 MFIs (based on 2016 data) - had fallen from 142 in 2013 with mainly SACCOs and a few MFIs ceasing to operate.[81] In 2014, the total assets of the MFIs and SACCO grew by 12.9%, savings volumes by 15.4%, and number of accounts opened at 21.1%.[82] The two MFIs specialised in MSME lending account for almost half of business. Business models are focused on savings and credit, with at least one MFI that offers mobile money payments. As of the end 2012, only two MFIs reported to be operationally self-sufficient. In terms of volumes generated, as of 2015, microcredit was estimated to be at USD 166 million and deposits at USD 187 million, which is an increase of 9% against the previous year.[83]

In the DRC, there are no MFIs visibly providing insurance yet. Across the globe, MFIs have been the drivers of microinsurance for more than a decade. They have been insuring their credit clients by requesting them to take out credit life policies as a compulsory product. Many MFIs have then offered their clients additional coverages such as personal accident or basic health insurance. Only more recently, non-traditional distribution channels have started to generate high volumes of microinsurance, such as retail chains in Latin America, or mobile insurance providers in Africa and hence, becoming an important distribution channel with rapid growth ratios. It is unclear if and to what extent the MFIs and SACCOs in the DRC are self-insuring their borrowers; some mentioned that they do not engage in this practice, as there is no insurer collaborating with them. As the MFIs, which were interviewed stated, SONAS did not engage in this business and foreign insurance deals were not previously accessible for MFIs. Notably, SONAS did set up at least one pilot with a MFI.[84]

In the DRC, the potential of the insurance sector for the economy and for individuals and enterprises has yet to be realised. Insurance penetration in the DRC is as low as 0.4% of GDP, with an average insurance premium of USD 1 per inhabitant, compared to USD 18 in the Ivory Coast, USD 80 in Morocco and 1,054 in South Africa.[85] Only 10% of insurance available is formally provided, and 80% of coverages is for vehicle insurance. The potential for insurance protecting individuals and businesses in the DRC, and for capital accumulation in the economy has yet to be realised.

[77] http://www.finca.org/blogs/going-further-the-next-steps-for-agency-banking/
[78] Altai, 2014
[79] BCC considers SACCOs as part of the microfinance sector which is in line with international good practice.
[80] BCC 2014
[81] La MicroFinance, Magazine trimestriel d'information sur les banques, les IMF et les Coopératives d'épargne et de crédit, N°02/ Octobre – Décembre 2016
[82] BCC 2014
[83] FPM 2015
[84] BCC 2013
[85] EY 2016

3. The demand-side

3.1 Characteristics of demand for insurance

3.1.1 The role and features of MSMEs

MSMEs play an important role in the DRC's economy. They generate almost a third of employment opportunities. According to the MPEA/MSME Charter (2009)[86], Congolese MSMEs are the backbone of innovation, wealth creation and employment, and hence, social integration. The MSME charter sets out the definition of the various categories of MSMEs to facilitate the adjustment of the legal, administrative and tax environment for registering a MSME and their financing. Table 1 presents the categories:

Table 1: Categorisation of Micro, Small and Medium enterprises

Characteristics	Micro enterprise or very small enterprise	Small enterprise	Medium enterprise
Number of employees	1 to 5	6 to 50	51 to 200
Turnover (excluding tax)	1 and 10,000 USD	10,001 to 50,000 USD	50,001 to 400,000 USD
Level of investment	Less or equal to 10,000 USD	10,001 to 150,000 USD	150,001 to 350,000 USD
Type of management	Concentrated	Concentrated	More or less open or decentralised

Source: MPEA 2009

MSMEs face many challenges including access to finance. The Ministry of Micro, Small and Medium Enterprises and the Artisan (MPEA),[87] considers that many MSMEs in DRC are fragile, have limited access to markets, inputs, electricity or other infrastructure and have a competitive disadvantage. Access to finance is also very constrained related to all kinds of financial services: savings, credit and leasing, payments and insurance. MSMEs mostly use informal financial services. In terms of MSMES's access to formal finance: 15% of MSMEs have access to bank lending, and 23% to a loan from MFIs and SACCOs.[88] Leasing finance is not permitted and hence, not available.

Many farmers are subsistence farmers and not banked.[89] A very small proportion of farmers earn more than USD 200 per month. Over 50% live 8 hours from the nearest trading centre. They generally lack storage facilities or refrigerators. Almost 4 million farmers have some high value chain connection, while only 4%of all farmers are banked. They are the group with the lowest levels of access to mobile phones and belong to the two poorest groups, excluding dependents.

3.1.2 Inclusive insurance clients

Notably, the inclusive insurance client is not necessarily poor or self-employed. In many emerging market countries, the "unserved" with insurance account for 80% or more of the population. Even middle-income households do not avail insurance. The situation is the DRC is poorer with

[86] Charte de petites et moyennes entreprises et de l'artisanat, MPEA 2009
[87] Ministère de Petites et Moyennes Entreprises et Classe Moyenne, MINPMECM (new since December 2015)
[88] MAP 2015
[89] MAP 2015

approximately 2 million individuals having formal insurance. Therefore, this study embarks on the board concept of the unserved, which in the DRC are almost the entire population.

The features of the typical insurance client in markets striving to become more inclusive are similar across developing countries, and are also valid for consumers in the DRC. Drawing on numerous other demand-side studies and IAIS guidance for insurance supervisors engaged in promoting inclusive insurance and microinsurance, the low-income consumer and MSMEs in general have certain features. These general criteria are described in Table 2, annotated with information on from the DRC.[90]

Table 2: Characteristics of the low-income segment and MSMEs generally, and specifically in the DRC

Characteristic	Description	Situation in the DRC
Generally more vulnerable than higher income segments	Compared to higher-income customers because of the deprivations they face as a poverty consequence. They are more exposed to risks and have limited access to preventive measures such as health care or health checks; fire protection or safety standards at the work place.	Strong vulnerability confirmed in interviews with prospective insurers. Data on mortality and morbidity risks not available in DRC.[91] Life expectancy is 59 years and infant mortality is high.
Low education levels	No or low literacy and numeracy. Furthermore, poorer people simply cannot read policy conditions and other written material.	75% of the adult population is literate. The rural population is less educated.
Low insurance awareness	The low-income population is not familiar with the basic concept and specific features of insurance, and lack of knowledge about how to use insurance. They have limited understanding of terms and conditions and are not aware of their rights and obligations or those of their counterparts.	Vehicle insurance does not contribute to insurance awareness, as people perceive it as a tax. Even if they had access to informal risk pooling – like every third Congolese – this may not help teach them how to use formal insurance which has more and different technicalities.
Limited experience with insurance	They have limited or no experience with insurance contracts, are hence, mechanisms for seeking redress are unknown and they do not know where to complain or to seek enforcement, or to settle disputes. They tend to confuse insurance with savings, expecting their premium to be returned.	As only vehicle insurance and informal risk pooling schemes are available, awareness of the concept and benefits of insurance is very low.
Lack of trust in insurance providers and negative perception of insurance	They have little trust in commercial insurers or intermediaries such as banks or brokers. Cultural beliefs come into play, including that talking about a risk can cause that risk to happen. Word of mouth has a powerful impact, so rumours of delayed claims pay-outs and claim rejections travel fast, even if not valid. Negative experiences in the financial sector, for example a bank going bankrupt, add to consumer distrust.	Especially prominent in the DRC due to consumers' experiences with SONAS and word-of-mouth of unresolved claims cases, clearly emerging from all interviews and Focus Groups.
Low levels of disposable income	Income patterns are often seasonal and subject to fluctuation. Disposable incomes are small and trade-offs must be made. Cash-flow fluctuations	2.3 million adults earn more than USD 200 per month. Average income in urban areas is USD 110; in rural areas USD 85, 93.

[90] IAIS 2015
[91] This data is important to assess the risk of a particular risk related to e.g. a group, person or asset, and an important denominator for the price of the insurance.

Characteristic	Description	Situation in the DRC
	are common. Incomes are generally spent on basic requirements such as food and shelter.	
Difficult to reach customers	A substantial proportion of the low-income population live in rural areas and poorer parts of urbanised areas, make a living in the informal sector and/or are self-employed. They are also often out of easy reach of traditional distribution touch-points.	More than half of the population lives in rural areas. In the "deep rural areas", people are cut off from the rest of the country. Sometimes neighbouring countries are better to reach.

Source: adapted from IAIS 2015, MAP 2015, Altai 2014, and based on interviews

3.1.3 Low-income households and MSMEs with potential to become insured

Some of the low-income households and MSMEs in the DRC will have the potential to afford and reach out to insurance, once it is offered. Certain criteria are crucial for their "insurability", namely their location, the financial services they use and how they make a living.[92]

- **Those who can physically be reached:** Urban and rural Kinshasa consists of about 20 million adults. This region has the largest productive capacity and attracts many skilled workers. Potential can also be mobilised in the larger cities in growth centres, e.g. those close to eastern borders with significant economic activity, and those cities in the mining areas. Chances are lower for more than half of the population who live in rural areas and dependent on agriculture. Compared to the urban population, they are much poorer, less educated and have fewer employment opportunities. The livelihoods of those people living in the deeper rural areas are subsistence based and very little cash is used.

- **Those who are using financial services:** The 12% of the adult population that is banked, and some of the 21% who use a MFI or a SACCO. These are the easiest target market to reach with insurance. Some of the clients served by MTOs may be potential clients. The slowly increasing number of e-money users may also be potential insurance clients. Those who are financially excluded and do not use any financial product for the moment (68%) are difficult to reach and teach.

- **Which employment types can be linked to insurance?** The formally employed (1.5 million) receive a salary from a private or public company, are the wealthiest and best educated and live in urban areas. The informally employed (1.4 million) derive a salary or wage from an individual or from piecework, are the second best educated and have the second highest level of earnings. Farmers (6.8 million) are mainly located in rural areas and are the poorest; they have much lower chance of affording insurance. Dependents (4.4 million), mainly youth and women, might be insured in a family policy. MSMEs (6.1 million) have the highest number of different income sources.

- **Who qualifies for inclusive insurance?** Notably, individuals or enterprises with middle incomes are included in the target group of inclusive insurance. The reasons for this broad approach are that a middle-income earner today can be very poor tomorrow if they do not have insurance. Furthermore, commercial insurers cannot concentrate on the low-income segment. Farmers have lower insurance access due to their remoteness and their ability to afford insurance. The poorest cannot be served with inclusive insurance; hence, the government may be required to take responsibility for this population segment.

[92] The following paragraph draws on data of the MAP, 2015

3.2 Risk management strategies in use

3.2.1 Risks exposure and perception of the low-income population and SMEs

The low-income population and MSMEs[93] in the DRC face many risks and experience frequent shocks. These often threaten their livelihoods and their businesses. Focus Group participants identified the following major risks that had occurred in the last two years (see Table 3):

Table 3: Risks expressed during Focus Groups

Risks faced by SMEs	Risks faced by households or microenterprises
• Transport accident	• Road accident
• Loss of goods during transport	• Theft
• Damage to goods	• Damaged to goods
• Theft	• Fire
• Natural disaster	
• Bankruptcy / no reimbursement of credit	

Accidents and theft are the most frequently identified risks by the MSMEs interviewed. From the above list, transport accidents, loss of goods during transportation and theft were identified as high risks. In interviews conducted for the Leasing study with 20 MSME owners, the following most pressing risks were mentioned: four individuals mentioned theft, three noted employee accidents, one mentioned a bush fire and another stated plundering as a risk (see also Annex 2 – Demand insights).[94]

Death or illness were highly ranked in the DRC, similar to all other countries. The MAP study identifies death and/or illness of the main income earner or a family member as the most threatening risk event, and the second as theft.[95] In the interviews, it was confirmed that death of the business owner is one of the main reasons for a loan not being repaid. The fact that Focus Group participants hardly mentioned death or illness does not mean it is not a prevalent risk; they were asked to mention the risks that had occurred within the last two years. Also, the sample of 27 MSMEs consulted is small. Notably, in other countries, the loss of a family member, breadwinner or business owner due to death or disability is always among the highest ranked risks, aside from health problems.

People had difficulty identifying insurable risks. The people interviewed could express the risks they and their business face by giving examples and discussing them. However, Focus groups participants were not able to easily identify the "insurable risks" they are facing.[96]

[93] The study distinguishes in the following between SMEs / and households/microenterprises. Microenterprises are often family-led and carried out in the house of a low-income household. The household cash-flow is not separate from the business. Several income streams flow into the basket.
[94] Leasing Study, Essor, September 2016
[95] MAP 2015
[96] **Insurable risks, or insurable loss,** is defined as definable, fortuitous, similar to a large number of know exposures, and pays a premium that is commensurate with the potential loss.

3.2.2 Current strategies people are using to cope with shocks

Once a shock has occurred, household heads and MSMEs are using a variety of coping strategies. Usually, they apply a mix of several non-insurance strategies (some are using insurance for vehicles and transport), see Table 4. They are classified as firm-related and household-related strategies. Notably, the mentioning of a strategy does not imply it was successful, e.g. when going to court.

Table 4: Risk coping strategies of Focus Groups participants

Risk coping strategies	
for MSMEs related shocks	**for households/microenterprises related shocks**
• To borrow money (informal or formal credit)	• To borrow money (informal or formal credit)
• To sell goods	• To sell goods
• To use savings	• To use savings
• To talk with the insurer (SONAS)	• To invest in new protection methods
• To ask family and friends for support	• To ask family and friends for support
• To liquidate the MSME	• To ask clients to pay their debt
• To relocate the activity to a safer place	
• To ask the government for support	
• To merge with another company	
• To go to court	
• To avoid new spending	

Source: established based on discussion with 27 MSME owners in two Focus Groups

Interviews with MSMEs shed light on their coping strategies. In addition to most of the above coping strategies, the Essor Leasing Study identified some other coping strategies MSMEs and their owners are using, in the absence of insurance, and given the fact that the existing insurance does not work, as claims are not paid and insurance is considered a tax (see Table 5).

Table 5: Risk coping strategies of MSMEs (not participating in FGs)

SME-related shocks	Household/microenterprises related shocks
• To sell firm assets	• To sell household assets
• To dismiss or not hire labourers	• To not send children to school
• Not investing in machinery or stock	• To ask the MFI
• To finance health cost of employees	• Not seeking medical treatment
• To ask business partners	• To asking neighbours
	• To get support from mutual
	• To get support from church
	• To ask employer for health expenses

Source: based on Essor Leasing Study 2016

Depleting savings and borrowing are the most frequently used coping strategies. According to the MAP study, 12.6 million people claim they use savings to deal with losses from a risk event. Of those, 6% say they use credit or insurance to manage risk, of which half are using a combination of savings and credit.

Households and microenterprises also rely on community assistance. Neighbours, colleagues and community members engage in helping the family or business to overcome the crisis.

Avoiding expenses is also very common, both for households and firms. Shocks force people to abstain from spending in food, clothing, education, health or necessary investments in the house, vehicle or business. They even sell assets.

3.2.3 Challenges of using traditional risk management strategies

The strategies people and MSMEs traditionally use to cope with risks will always be in place, even when insurance is offered. Still, they come with some limitations, some of which are:

- **Traditional strategies are limited if a systemic shock strikes.** A cholera epidemic or a fire that affects a whole neighbourhood means that savings will be depleted if several members of a family fall ill, or several houses and shops are destroyed; and community assistance including informal risk pools cannot finance the vast needs for treatment and restoration. Mostly, they do not cover the entire loss and they cannot be used frequently.

- **Community assistance, such as for funerals is very common in Africa; however, it has some inherent weaknesses.** Burial societies can only provide support when they have funds available. As they rely on member contributions, which may be infrequent, they may not have sufficient cash when several people die in a short time span, or when people are sluggish to contribute. Consequently, the service people receive in the case of a death from the burial society may not be the same in all cases, as it depends on the money available at the time. This can lead to lack of satisfaction of members, as a pay out or service provision can vary.

- **Negative repercussions arise over the medium or long term.** Selling assets, not sending children to school, not addressing health emergencies, not investing in business and depleting savings have negative longer-term effects. This behaviour tends to reduce productivity, hinder capital formation, lower the education level of children, and pushes the family deeper into poverty.[97]

- **MSMEs development is hampered.** In the absence of insurance, MSME owners reported that they cope with the effects of emergencies by relying on the use of their savings, selling assets and/or turning to the community for help. In some cases, this may make things worse. A weakness stated in the FGD was that the lack of insurance makes their loans more expensive.[98] In the interviews, representatives of banks and MFIs confirmed this. In addition, access to leasing also depends on the availability of insurance for the machinery or vehicle to be leased.

[97] MAP 2015
[98] One Focus Group participant cited that he is paying 54% annual interest on his business loan. The bank argued that the interest rate is that high because he has no insurance, among other reasons.

3.3 Awareness and use of insurance

3.3.1 Understanding insurance - what they know and understand

Awareness and knowledge of insurance and its benefits among the Focus Group members is generally low. People interviewed and Focus Group participants know that insurance should help them face a shock. In part due to their lack of insurance exposure, however, all of them have experiences with or knowledge of the weaknesses of insurance provided by SONAS.

People have some basic knowledge about how insurance mechanism works. Some know that they contribute to a mutual or community pool. However, people generally do not understand that this is a form of insurance, albeit semiformal or informal. Generally, their knowledge of insurance is very shallow or absent.[99] *"I do not know insurance." "I do not understand it".*

People do not distinguish between formal and informal insurance. The only choice for people is having formal vehicle insurance, or informal insurance provided by a mutual or solidarity scheme. However, people do not know the difference. In principle, formal insurance is supposed to be accompanied by consumer protection, the main mandate of an insurance supervisor. However, the situation may be the opposite in the DRC market; informal insurance mechanisms may be more reliable in terms of paying "claims" or compensation than the formal insurance provided by SONAS.

3.3.2 Attitude towards insurance - how do they react towards insurance

Focus Group members and interviewees[100] are wary of insurance due to the reputation of SONAS. Public perceptions are sometimes based on own experiences, but also based on hearsay, or experiences of other people they know. A client survey BCC conducted with 2,200 persons and additionally, based on the results of 24 group discussions revealed that 31.8% of the SONAS clients interviewed reported their claim was not honoured.[101]
Typical, widespread perceptions presented in the FGD include:

- **Insurance is not reliable**. All interviewees' stressed that the only insurer they have access to does not pay claims. *"SONAS does not pay claims"; "insurers are not reliable."*
- **Insurance is too expensive.** *"Insurance has a high cost."*
- **There is no insurance.** *"There is no insurance in the DRC".*

All people interviewed emphasise they want insurance. They consider insurance important to address their family-related and business risks. *"We need insurance." "We do not get insurance, and hence the bank charges us high interest rates for loans".*

Sector experts interviewed confirm that insurance is important for the main population in the DRC. Actual and future distribution channels - brokers, banks, MFIs and mobile money providers, development experts and the Ministry of Finance and Central Bank – all confirm that offering "real insurance" to the population is an important way forward in and for the financial sector.

99 MAP 2015
100 MAP 2015; Essor 2016
101 BCC 2013

3.3.3 Using insurance - what they do

Since retail insurance products are virtually not available, only a few people and the larger enterprises have experience using it for selected risks. Only 162,000 respondents of the FinScope Study claim they use insurance, compared to 12.6 million savers. Data is difficult to obtain, however, it is estimated that in the DRC, less than 1% of the economically active adults have insurance.[102] Compared to other financial services, insurance is by far the least used financial product in DRC. Those using insurance are generally the employed, higher-income males living in urban areas who mostly have vehicle insurance, or the larger enterprises required to have insurance.

The average Congolese person has only been exposed to vehicle insurance. People are familiar with the way that the "vehicle insurance product" is provided as it is compulsory, sold by SONAS offices throughout the country and its usage seriously enforced by police. Many people "know" how this type of insurance works. Interviewees report how they tried to use this insurance, that is, they have been trying to file a claim, which in all cases was said to be unsuccessful.

Informal risk pooling mechanisms are widely used. Many people use informal risk pooling schemes but do not think that is insurance, as for them, "insurance" is synonymous with SONAS. Although unverified in the interviews, credit-life insurance schemes are organised as self-insurance, and the borrowers who receive the cover may not even know they have "insurance". The lender will just waive their loan in case the borrower passes away.

MSMEs owners' only have access to SONAS insurance, if at all. Use of insurance is equally limited among MSMEs. As many of them do have a vehicle, the predominance of SONAS insurance is high. In the Focus Groups, no insurance other than that provided by SONAS was identified.

The use of insurance to back up loans or leasing arrangements is very limited among MSMEs. Some banks receive insurance coverage from SONAS for their buildings, or seek insurance via a broker from foreign insurers. However, the clients of banks have no access to insurance, neither have the MFI clients. In the interviews, bank managers confirmed how important insurance would be for the growth and the quality of their lending portfolio.

Adequate insurance products are vital to develop the leasing market. Insurance products for leasing arrangements are crucial for both leasing forms, be it for an operating leasing arrangement, or finance leasing via a financial institution. To enable a leasing transaction, the lessors or the banks requires insurance coverage.

Focus Group participants identified some barriers, which impede their access to insurance. The main barrier of insurance access in the DRC is that insurance provision does not meet market demand. This was the point of departure of the discussion. Table 6 lists the barriers to insurance access facing MSMEs and microenterprises. The barriers mentioned by both Focus Groups are similar and mainly relate to an absence of trust in the insurer, high cost and lack of information about insurance and its products.

[102] MAP 2015: The FinScope Study was based on a sample of 5,000 adults who are 15 years or older and is representative of the overall level of the Central Bank of Congo's areas of economic activity and therefore all the figures quoted here are indicative of the areas covered.

Table 6: Barriers to accessing insurance (by Focus Group participants)

Barriers to access insurance	
for SSMEs	**for households/microenterprises**
• No compensation payment in case of accident	• No compensation payment in case of accident
• Lack of confidence in insurance	• Lack of confidence in insurance
• Lack of knowledge about insurance and the products offered	• Lack of knowledge about insurance and the products offered
• High cost of insurance	• High cost of insurance
• Lack of competition within the insurance sector	• Lack of competition within the insurance sector
• Products are not adapted to MSME's needs	

3.4 Consumer preferences - what they want

Focus Group participants have a vision for the type of insurance they want. Table 7 summarises the vision of the MSMEs and microenterprises or households for the future of insurance. Both Focus Groups have a similar vision for the type of insurance they would like to have in the future. The three main characteristics of the ideal insurance product are:

- Affordability;
- A trustworthy insurer (intervening quickly in case of accident); and
- Adequate and timely compensation for claims.

MSMEs also look at the wider environment and mention that an effective regulatory authority should be in place, and there should be competition in the market.

Table 7: Vision for insurance (by Focus Group participants)

Vision for insurance	
for MSMEs	**for households/microenterprises**
• Affordable cost	• Affordable cost
• Adequate and timely compensation	• Adequate and timely compensation
• Fast intervention of the insurer in case of accident	• Fast intervention of the insurer in case of accident
• Proposition of products tailored to the MSME's needs	• Adapted products to the needs
• Duration of policy adequate	• Duration of policy adequate
• Effective regulatory authority in place	• Close relation with the client
• Social insurance	• Social insurance
• Having insurance companies which can be trusted	
• *Insuring the risks of lending**	

**The discussion about insurance and the "risk of lending" revealed the need to help MSMEs understand, which risks are insurable and which ones cannot be insured, e.g. entrepreneurial risks like market risk or theft of employees.*

The need for insurance was clearly established in the interviews with banks and MFIs. One such lender emphasised that their portfolio at risk was clearly related to shocks such as a fire or theft, and that insurance is a huge opportunity for all stakeholders, providing safeguards for such situations that would reduce the loan interest rate and contribute to the sustainability of enterprises.

Any leasing in the DRC, were it available, would require insurance on the leased equipment. Insurance is a precondition for access to loans and leasing schemes. Ideally, this insurance is provided by a local insurer. In theory, an insurance company with the financial strength and reliability to meet claims when required must insure leased equipment for risk such as fire or theft. Presently, this is not the case. This situation causes equipment dealers, who rent (lease) their equipment, to turn to international insurance solutions, which are high cost. This is not feasible for expanding leasing more broadly, and hence, covering the broader needs of future leasing providers, including the MSMEs.

People in the DRC want to understand what the insurance covers. Recently, SONAS stressed that they have embarked on better transparency about the cost of insurance; however, people want to know first what is covered by their insurance.[103]

[103] BCC 2013

4. Supply: Insurers, distribution and products

4.1 Overview of supply in the DRC and regional comparison

The supply of insurance in the DRC is very limited. Generally, the supply of insurance comprises insurers and distribution channels offering a variety of insurance products for enterprises and individuals. In the DRC, the provider structure comprises one sole state-owned insurance company, SONAS. Distribution is organised by 37 insurance brokers working with a selective clientele, mainly large enterprises. Vehicle owners can purchase insurance directly at SONAS' s offices. In terms of products, supply of insurance in the DRC is narrow and dominated by compulsory insurance products for businesses (for buildings, aviation - from insurers in other countries - and transport), as well as for vehicle owners. With exception to vehicle insurance, retail clients have limited supply of insurance to cover life, accident, health or asset related risks.

Compared to other African markets, the insurance market in DRC is very limited. As of today, there is only an estimated 2 million insurance policies, of which most are vehicle insurance policies (see Table 12 in Chapter 4.4 on products).[104] Table 8 presents data from neighbouring countries and the DRC. Despite DRC' s higher population, the premiums collected are approximately 15 - 20% of what is generated in neighbouring countries.

Table 8: Insurance market data of neighbouring countries and DRC

Country	Population / million	Insurance policies / million	Premiums collected USD / million	Insurance companies	Brokers/ general agents
Gabon [105]	2	5.5	240	9	19
Cameroun[106]	24	NA	374	25	97
Tanzania[107]	49	5.5*	254	31	124
DRC[108]	81	2	53	1	37

**In Tanzania, life insurance gross premium written by insurers grew by 173% over the last year and is expected to grow by 37% by 2017. In 2014, 72% were group life insurance policies.[109]*

4.2 Insurers

4.2.1 Public insurers

Since 1966, SONAS has been the sole insurer in the market. SONAS holds all national non-life insurance business and the compulsory insurance mandate supports its monopolistic position. As of 2014, SONAS had 2,165 employees and has a broad network of offices all-over the country. While SONAS does not produce financial statements, an international audit undertaken in 2012 identified a capital shortfall of over USD 211 million (with 53 million premiums collected this may be explained by

[104] SONAs data
[105] Rapport annuel 2015 Fédération Gabonaise des Sociétés d'Assurances (FEGASA) 2015; World Bank Country dashboard http://povertydata.worldbank.org/poverty/country/ZAR
[106] Associations des sociétés d'assurances du Cameroun, repris par la FANAF et le journal en ligne Financial Afrik (44% des primes émises concernes des assurés individuels et 54% des assurés collectifs)
[107] Rapport de l'Autorité de réglementation des assurances de la Tanzanie (TIRA), publié sur TanzaniaInvest
[108] SONAS data
[109] http://tanzaniainvest.com/finance/insurance

cumulative losses) and numerous operational weaknesses.[110] There is no life insurer in DRC. SONAS's approach to insurance provision has severe weaknesses. Among the most notable weaknesses are the very long delays in claims processing and claims payment: it has been reported that SONAS is known to take years before paying a claim, and has thousands of unpaid claims. Apart from compulsory insurance, SONAS has not offered any voluntary insurance products. SONAS sells vehicle policies at its 57 offices, where premium is collected, of which 32 offices are in Kinshasa and 25 in other provinces.

SONAS plans to restructure and compete in the liberalised market. With the Insurance Code of 2015, SONAS needs to compete against insurance companies preparing to enter the market in 2017. At present SONAS neither offers a wide range of products for the broader population, apart from the vehicle insurance, nor is there a clear indication that they have started to do so. In 2013, the steering committee for the reform of public enterprises announced that SONAS was on the brink of going under, if it did not fully restructure its services.[111] In 2012, an external audit identified a capital shortfall of USD 211 million and numerous operational weaknesses.[112] The challenge is restructuring SONAS to become a modern insurance company with a full range of products and a service culture that satisfies their clients.

The National Social Security Institute (INSS) has limited reach and is in a precarious state. INSS, the government's social security scheme, only insures formally employed individuals and as such, covers less than 1.6% of the active labour force. It has a decentralised model with 45 centres; however, an IMF assessment reported severe organisational weaknesses including a shortfall of contributions in 2014.[113]

4.2.2 Private insurers

At present, there are no private insurance companies in the DRC. The only private companies insuring businesses in the DRC are foreign insurance companies that are "fronting" or "co-insuring" national insurance deals with the help of national or foreign insurance brokers, the latter licensed in the DRC. The old legal framework did not allow private insurers, but the Insurance Code does so.
Foreign insurance companies have insured selected clients. Interviews conducted revealed that foreign insurers insure some vehicle fleets of enterprises; and that many enterprises, including banks, construction companies or mining enterprises purchase foreign insurance coverage. Aviation insurance needs to be purchased from a foreign insurer because it is not offered by SONAS. However, there is no data on the amount of insurance contracted from foreign insurers.

With the market liberalisation, several investors are preparing to apply for licenses as insurance companies. Several insurance companies, banks or other investors are preparing to submit their application for a license as a life or non-life insurance company. Some investors are preparing to apply for licenses as both life- and non-life insurer and some have already registered as a company. Each license requires an investment of USD 10 million. This study has not identified candidates looking to operate as insurance mutual, which the Insurance Code allows, and for which the capital requirement is USD 3 million. Sector experts estimate that between eight and ten new insurance companies will be submitting their applications once ARCA is operational.[114]

Some of the up-coming insurance companies plan to offer inclusive insurance products. Some of the investors striving to obtain an operating license have experience in offering microinsurance in

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[110] IMF 2014
[111] http://www.legavox.fr/blog/yav-associates/liberalization-insurance-sector-democratic-republic-18032.htm#.V9-ZwDVi-60
[112] IMF 2014
[113] IMF 2014
[114] For example, RawSur Assurance, Sunu Assurance, Saham Insurance, NSIA Assurance

other countries[115], such as South Africa, Cameroon or Tanzania. Some interviewees emphasised that they see the need to insure the low-income and private retail market, and that they plan to offer inclusive insurance. However, it is not currently possible to anticipate such developments.

Health mutuals cater for a significant part of the population. The 98 health mutuals were serving 3 million members as of 2012. Today, approximately 5 million people are covered in these community-based and workplace-based schemes. The average contribution is USD 4.5 per month and person and often, deducted from salaries. Some mutuals are dynamic.[116] They work with associated community-based health centres, providing basic health care services. The POMUCO is the member association of the mutuals. Many health mutuals are small, just a few are large with thousands of members, however, centralised data on all of them is not available (see Annex 4).

4.2.3 Informal insurance

Informal insurance-like schemes are widespread in the DRC. Informal insurance is provided by the non-bank financial sector, and as member-based schemes and organisations. Some non-bank FIs, the MFIs or SACCO, are said to run in-house self-insurance schemes, "self-insuring" their microfinance borrowers with a credit life product. The member-based schemes are community-based or workplace based risk-pooling schemes such as the "*Acosi*", which are found mainly in the East of the country; while most of the health mutuals are in Kinshasa.[117] Some schemes are small with only few members, while others are catering to thousands of "insured". According to estimates in the sector (interviews and MAP data), the scale of informal insurance in the DRC is considerable. However, there is very limited data available on these schemes. However, the magnitude of informally provide insurance is unknown.

There is a significant level of informal insurance provision in the DRC. Estimates suggest that every third person engages in some form of informal risk-pooling mechanisms and solidarity scheme.[118] These schemes are often the only cover people have and in absence of formal insurance, these schemes cater for a large share of the population including lower-income segments. One benefit of informal insurance is that it provides its clients with a basic understanding of the concept of insurance and its risk pooling function.

Informally provided insurance has inherent weaknesses. For most people in the DRC, informal insurance schemes are their only option to access insurance, however, there are some inherent challenges in such practice. The IAIS Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets[119] is clear about the need for formalisation: if an organisation provides insurance, it should be subject to licensing.[120] Informal insurance does not contribute to the long-term goal of fostering a culture of insurance. Client protection may also be a challenge. Insurance supervisors are often unable to gauge either the depth or the breadth of informal systems in their jurisdiction, or the potential risk to consumers.[121]

[115] Saham insurance or Old Mutual of South Africa have experience in microinsurance in other countries.
[116] La plateforme des organisations promotrices des mutuelles de santé du Congo (POMUCO)
[117] MAP 2015
[118] MAP 2015
[119] IAIS 2015
[120] See Glossarry, Annex 12
[121] Consultation Call on Formalisation, A2ii, January 2015

4.2.4 Reinsurers

Reinsurance[122] is not available locally. There is no national reinsurance company in the DRC. However, as the DRC is a member of the Organisation of African Unity (OAU), 5% of each reinsurance treaty must be ceded to Africa, and a further 5% must be ceded to CIMA's reinsurer CICA-Re Togo.[123] Some international brokers' intermediate reinsurance deals where national cover is unavailable.

4.3 Distribution channels

Under the old legal framework, insurance brokers and agents are the sole type of distribution channel for insurance in the DRC. Insurance brokers or general agents intermediate insurance policies for their clients, most of whom are corporations. They also offer travel, and in some case life or health insurance policies for individuals. Brokerage firms are either national brokers or subsidiaries of international brokers. SONAS has registered all 37 brokers, a process that requires a deposit of USD 25,000. Brokers have the option of offering insurance coverage from SONAS, or to make foreign deals in the form of the so-called "fronting agreements", where a reinsurer guarantees the policy, or in the form of "co-insurance", where various insurers produce the policy and the risk can partly be covered by SONAS. The 37 brokers are national and foreign-based. The national insurance brokers mainly channel SONAS insurance. International brokers channel insurance deals where a foreign insurer is the risk taker ("fronting") and SONAS receives a commission.

Table 9: Examples of insurance brokers licensed by SONAS

Name	Type	Country of origin	Experience
ASCOMA	International insurance and reinsurance brokerage firm	Monaco	More than 25 years of experience in other markets (in the DRC since 2004?)
GRAS SAVOYE ASSURANCE	International brokerage firm	Lille, France	55 years (fire, automobile, transport, health, diverse risks)
ACA[124] (General Agent of NSIA[125])	International brokerage firm	Cote d'Ivoire	Since 1996 in life; since 2006 in non-life

Source: Data collected during mission (October 2016)

Traditional brokers do play a very limited role in microinsurance distribution. In most microinsurance markets across the globe, also in Africa, traditional insurance brokers have not played a role in promoting inclusive insurance. However, specialised brokers or general agents, who distribute microinsurance or mobile insurance, are on the rise (see Technical Service Providers, TSPs). During mission interviews, one broker mentioned that they would be able and interested in bringing microinsurance or mobile insurance products approved in a CIMA country to the DRC market.[126] However, as this new business requires specialised know-how, and information technology to handle massive numbers of clients, it is anticipated that traditional brokers may be less inclined to enter this business. Brokers in some instances have played a role in arranging group insurance with employers.

[122] An insurance contract between one insurer or reinsurer (the reinsurer) and another insurer (the cedant) to indemnify against losses on one or more contracts issued by the cedant in exchange for a consideration (the premium). http://www.iaisweb.org/page/supervisory-material/glossary
[123] http://crystal.lloyds.com/SearchResults?mc=246&c=2;57&t=1&cg=1
[124] Association des Courtiers d'Assurance (a brokerage firm comprised of several brokers)
[125] NSIA (Nouvelle Société Interafricaine d'Assurance)
[126] CIMA comprises 15 countries: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros (non-ratified), Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Guinea Bissai, Ivory Coast, Mali, Niger, Senegal and Togo

Banks engaged with MSMEs, MFIs and SACCOs are important potential distribution channels. Banks in the DRC that serve MSMEs have 232 agencies and serve 1.5 million loan clients (Table 10). The MFIs and SACCOs serve another 1.7 million clients (Table 11); the loans outstanding of MFIs grew considerably between 2014 and 2015.

Table 10: Outreach of relevant banks for MSME finance

Bank*	Agencies	Number of Loan clients	N° of savings clients
Access Bank	2	32,473	11,374
Advans Bank Congo	19	33,980	5,134
Afriland First Bank Congo Démocratique	16	60,600	9,494
Bank of Africa	11	121,443	12,805
Ecobank	10	133,410	43,301
BGFI Bank	15	169,075	1,262
Fi Banque	13	19,264	2,503
ProCredit	11	132,420	98,546
Rawbank	40	439,561	115,465
Trust Merchant Bank	59	211,460	32,284
United Bank of Africa	3	26,970	1,602
First National Bank Nigeria	33	198,711	35,412
Total	**232**	**1,579,367**	**369,182**

Source: Data of BCC (as of end 2015) *only those banks are included which offer MSME finance

Table 11: Outreach of MFIs and SACCOs

Type	End 2014			End 2015	
	Loans outstanding	Deposits	Total number of accounts	Loans outstanding	Deposits
MFIs	83,122,324	45,208,729	623,673	116,228,274	55,459,057
SACCOs	53,232,047	127,679,463	1,158,251	57,815,974	131,503,636
Total	136,354,371	172,888,192	**1.781,924**	174,044,248	186,962,693

Source: BCC 2014, FPM 2015

The EMIs in the DRC are preparing for distributing mobile phone-based insurance. The expansion of mobile money institutions (EMIs) provides new opportunities for insurance distribution. In the DRC, at least two of the three EMIs have been considering to provide mobile insurance once insurers are set up, and interested in partnering with them.[127] Generally, the mobile money providers have a huge advantage in inclusive insurance as they hold large client bases and can organise the payments related to insurance. This will enable them to identify and negotiate with a partner-insurer.[128] The idea is to target active users of mobile money and offer them mobile insurance products. The business model, where the MNO and its subsidiary EMI partners with an insurer, has the potential to enrol large numbers of insured that are already linked to them and have a certain level of financial literacy. Mobile insurance business partnerships have been implemented in several other African countries, some with the involvement of the mother MNOs of the Congolese EMIs.[129]

[127] Based on mission interviews
[128] Based on mission interviews
[129] Ghana (Airtel, Tigo, MTN, Vodacom), CIMA (Airtel, Togocell, Orange)

4.4 Insurance products

The current supply of insurance products is very limited. Consumers in the DRC have limited options to contract insurance and to choose among a range of products. Enterprises and private individuals can contract insurance directly with SONAS, which offers only a very limited range of products. Clients can also use a broker, which may get cover from a foreign insurer or reinsurer - with the approval of SONAS, if SONAS does not have the capacity to underwrite the risk. Generally, both SONAS and the brokers offer the compulsory insurance lines vehicle, construction/fire and transport, and aviation, and some policies for higher-income clients covering health, travel or life risks.

In principle, SONAS could offer life insurance. Under the old legal framework, SONAS had the opportunity to offer life insurance and has two life products on offer: a group life insurance for the employees of enterprise; and an individual life insurance policy. These products are not broadly used because enterprises and consumers are reluctant to contract insurance with SONAS due to its bad reputation and insolvability. The information in Table 12 shows details on the number of policies SONAS issued in 2013, and the number or risks insurer.[130] The number of policies is smaller because some policies (i.e. insurance contracts) may insurer several risks (e.g. fire, theft).

Table 12: SONAS insurance coverages as of 2013.

Risk category	Policies	Risks
Vie	2,539	5,573
Automobile	132,856	192,617
Transport	499	1,298
Fire	8,004	8,807
Auto: civil responsibility/accident [131]	17,804	1,848,300
Engineering/aviation/industrial fire[132]	No data	No data
Total	**161,702**	**2,056,595**

Source: Forum Micro-Assurance, Prof M. Mulumba, 10.04.2015 Kinshasa (from SONAs, data of 2013)

Vehicle insurance is the most commonly offered insurance product. Vehicle insurance represents an estimated 80% of the insurance available in the DRC.[133] What is commonly available as vehicle insurance is only called “insurance”. In fact, this product is handled and also perceived as a tax because it generally does not trigger a pay-out once an accident happens.

There is a lack of formally provided insurance products for the masses. Even higher income segments do not have life insurance. Insurance policies for retail clients and their life and non-life risks are unavailable. According to the MAP, only about 200,000 people consider themselves as insured, however, this figure does not include those covered by mutuals.[134] As of 2014, the Microinsurance Networks microinsurance country profile of the DRC reveals that 255,000 people are having some health cover, most of which provided by member-based organisations.[135] Data collected during this mission about the coverages of health mutuals reveals that approximately 5 million people are covered by a health mutual.[136]

There are no formal microinsurance products in the DRC market. The study did not focus on the insurance products that are available for high-income persons and enterprises. Some interviewees

[130] SONAS does not publish data, therefore a detailed or more recent overview of SONAS’s business could not be obtained.
[131] ARD (Assurance de Responsabilité Diverses)
[132] Large risks covered by foreign insurers
[133] According to an interview with a broker, this data was published by SONAS. However, there are no easily accessible sources or data available.
[134] MAP 2015, BCC 2013
[135] Microinsurance Network, World Map of Microinsurance http://worldmapofmicroinsurance.org/#country/COD
[136] POMUCO

argued that "*there is no insurance in the DRC*". Insurance experts stress that there is indeed insurance in the DRC, however, only for large enterprises, and not for private individuals and MSMEs. Informally provided insurance products were not analysed for this study even though their coverages and features may help to inspire product development in the future.

4.5 Professional associations

The relevant industry associations in the financial sector have been engaging in financial inclusion but not in insurance. There are several industry associations active in the DRC engaged in promoting financial inclusion.

The financial sector associations were not involved with insurance in the past. Improving broad-based outreach and sustainability of microfinance services in the country requires the increasing professionalization of providers. Being federated in gremial organisations is important for any kind of financial service provider.[137] Some efforts to establish gremial organisations i.e. industry associations have already been made in savings and credit. However, integrating insurance into the work of these associations as set out in Table 13 is yet to be implemented.

Table 13: Associations in the financial sector

Name	Members
ANIMF (" Association Nationale des Institutions de Microfinance")	21 member MFIs with 257,600 credit clients (active) out of which 181,972 female clients[138] 318,246 voluntary savers
COOCEC ("Coopératives d'Epargne et de Crédit").	16 SACCOs
MECRECO ("Mutuelles d'Epargne et de Crédit du Congo")	21 SACCOs
ACB ("Association Congolaise de Banques")	18 Banks
Insurance	*To be established*

Source: CGAP, Microfinance Gateway (2016);[139] and interviews during mission

The establishment of an industry association for insurance is envisaged. As the Insurance Code sets out, and interview partners have expressed, once the new insurance companies will be licensed, it can be expected that the insurers will also set up an industry association.

137 http://www.microfinancegateway.org/fr/pays/r%C3%A9publique-d%C3%A9mocratique-du-congo
138 Based on interview with Association of Microfinance Institutions (ANIMF)
139 http://www.microfinancegateway.org/fr/pays/r%C3%A9publique-d%C3%A9mocratique-du-congo

5. Enabling environment: Policy, regulation and supervision

5.1 Public Policies

In the DRC, insurance is recognised as a key element to achieve economic and social development. Even though there is still no comprehensive public policy that aims to promote insurance and inclusive insurance in the country, there are different elements that suggest it is a key contributor to economic and social development. For instance, the explanatory statement of the Insurance Code notes that insurance is a "*vital part of modern country's economic and social development*". Later, the law recognises its role to protect households and businesses and recognises the potential to collect long term savings that could be invested back into the national economy. However, such recognition is not recent. Since 1958, different "ordonnances" and laws recognised mandatory insurance and established the obligation to have certain covers (motor vehicle, transportation, construction, amongst others). The Insurance Code also recognises some mandatory insurance. This recognition is critical in a country where the insurance market is at an emerging stage. The DRC has the lowest insurance penetration in Sub-Saharan Africa with a rate of 0.4%; 99% of MSMEs do not have insurance, and 4 million adults are forced to reduce consumption or sell their assets to deal with risks when they arise.[140]

However, currently, there is no explicit link between how insurance can help the country achieve other public policies. The National Development Strategy 2017-2021 does not mention insurance as a tool that could unlock opportunities to achieve key policy priorities. Yet, insurance can effectively play a role in achieving most of the priority public policies. For instance, it could help consolidate economic growth as it makes economic actors more resilient. Insurance could support agricultural transformation and diversification as insurance can encourage productive investments. It could support job generation not only because it is a sector that will create new jobs in itself, but also because it can offer risk transfer mechanisms in the case of unemployment, extending the cover of professional risks, and the social protection floor. Furthermore, insurance plays an important role in the context of climate change adaptation and disaster risk reduction through offering of macro, meso and microinsurance products against natural disasters. Furthermore, inclusive insurance can help reduce social exclusion and promote human development, through offering products that target education and health needs.

Insurance is a major component in the DRC's National Financial Inclusion Strategy currently under development. According to the BCC and the MoF, financial inclusion and financial education are priority policies, and will be addressed in the Financial Inclusion Strategy currently being drafted. The financial inclusion diagnostic MAP[141] and the respective road map for implementation are important steps towards understanding financial inclusion in more detail, and preparing the runway towards the implementation of multi-stakeholder approaches to advance financial inclusion.[142] Besides the Financial Inclusion Strategy, the government and the BCC have taken important steps to make access to finance a reality. For example, the *bancarisation* initiative, the development of a regulatory framework for the national payment system, and allowing agency banking and electronic money, amongst others. Currently, discussions regarding the National Financial inclusion Strategy have been emphasising the role of insurance as a key component. Indeed, the up-coming National Financial Inclusion Strategy in the DRC recognises as one of the priorities the "improvement of the risk management alternatives."[143]

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[140] MAP 2015
[141] MAP 2015
[142] Road Map/MAP 2016
[143] Stragégie Nationale d'Inlcusion Finanicière, Essor A2F, 2016 (Draft)

Lack of trust is recognised as one of the biggest obstacles for financial inclusion in the DRC. Even though trust is built through the provision of appropriate services and when customers are fairly treated, raising awareness about financial services through financial education strategies is crucial. The government and other stakeholders recognise the relevance of financial education and that insurance needs to be incorporated into the National Plan for Financial Education.

Even though the DRC is strategically well positioned, it is not well integrated in the region. However, the DRC has made its effective regional integration a policy priority. The DRC is strategically located in Central Africa and shares borders with nine other countries. Nonetheless, the DRC's regional integration is weak and faces obstacles to cross-border trade. According to the ADB, cross-border procedures take 44 days for exports and 63 days for imports, which is 12 and 15 days longer than the average in SSA countries.[144] However, the Strategic Development Plan (2017-2021) recognises regional integration as a priority and aims to override obstacles that are impeding effective regional integration.[145]

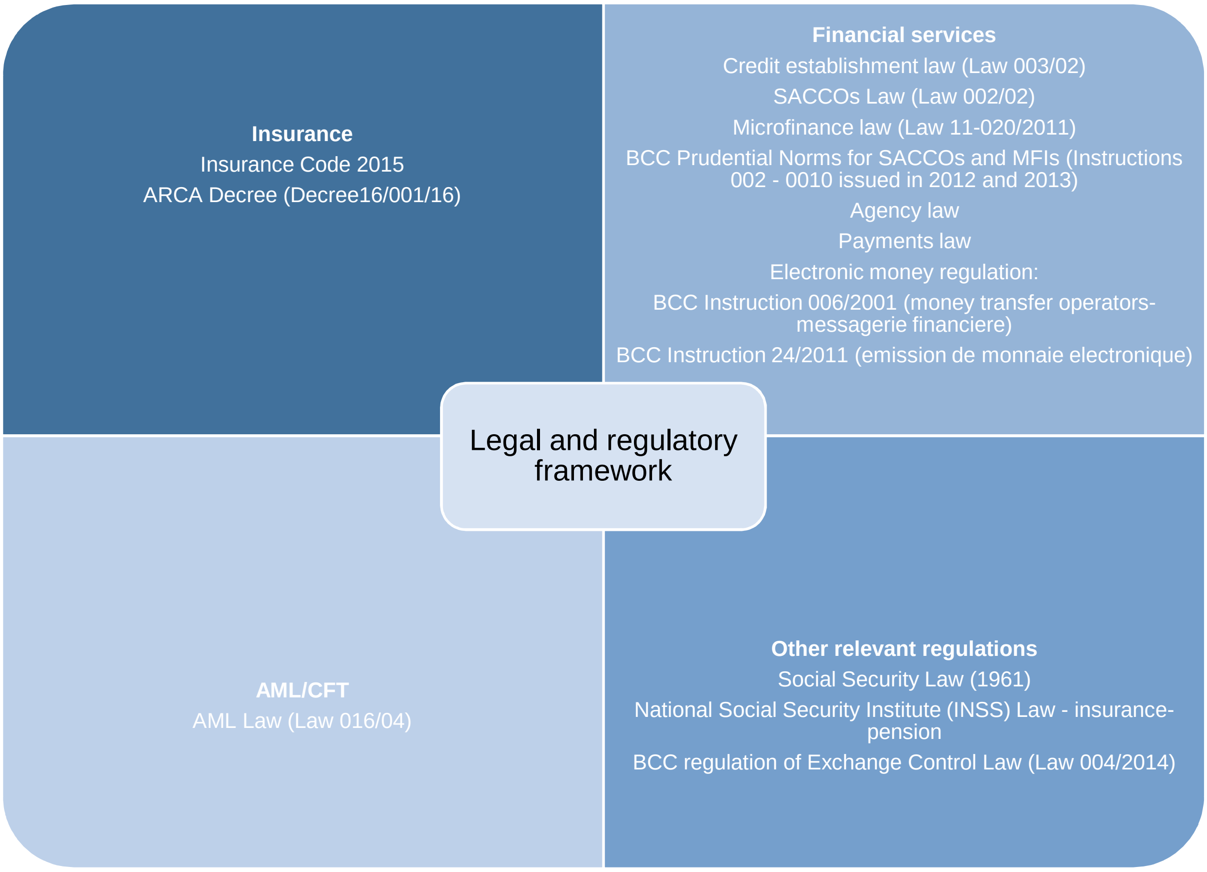
5.2 Legal and regulatory framework

> **Box 2 - Insurance Code, Explanatory Statement**
>
> "*Legal certainty is, indeed one of the investors' main concerns and thus a country's condition to economic development, as is also the improvement of the living conditions of the country*"

This section analyses whether the current laws and regulations[146] applicable to inclusive insurance are proportionate and therefore promote the development of "responsible inclusive insurance."[147] Figure 1 shows the most important legal instruments that are part of the legal and regulatory framework, which have an impact on the development of inclusive insurance in the country. Notably, this goes much beyond the Insurance Code and ARCA Decree.

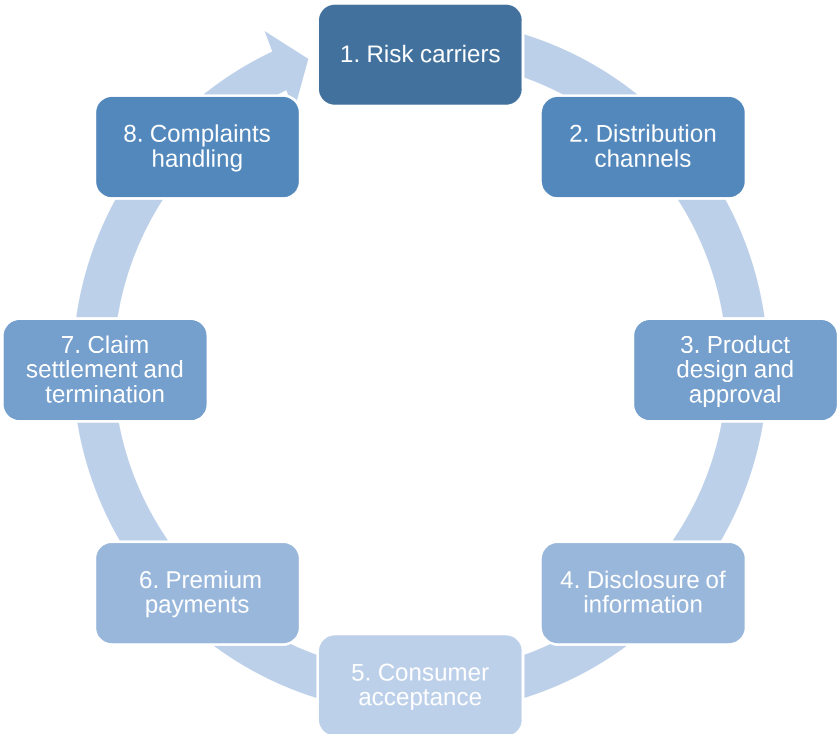
[144] ADB 2013
[145] Priorités de developpement 2017-2021, Note Téchnique, UNDP 2016
[146] In the following, the term "regulation" is used both for legal and regulatory dispensations.
[147] Responsible Inclusive Insurance means that there is an appropriate equilibrium between a robust market of insurance products tailored to the segments of the population that are generally excluded, but offered in conditions where customers are treated fairly and effectively protected.

Figure 1: Legal and regulatory framework for inclusive finance and inclusive insurance



To assess whether the regulatory framework is appropriate for the development of inclusive insurance by encouraging providers and enabling innovations, while also effectively protecting the consumer, an analysis has been conducted along the six key elements of the life cycle of an insurance product e.g. from who offers the product, up to how disputes are handled (See Figure 2).

Figure 2. The inclusive insurance life cycle



Source: adapted from IAIS (2015), Andrea Camargo (2016)

5.2.1 Risk Carriers

The Insurance Code[148] of 2015 liberalises the insurance market, allowing the entry of private insurers. Officially valid since March 2016, the Code liberalises the insurance - a market development that has been discussed for over a decade. The Code signals political willingness to open the market up to private and mutual companies to create a more competitive environment, and enable a privately-driven insurance market. It recognises that the State should not play a large role as a risk carrier in this sector. However, since the Insurance Code yet to be fully implemented, a legal vacuum has formed. SONAS remains in place and is the only institution allowed to license brokers or to approve insurance operations with companies based in other countries. As of November 2016, SONAS was still operating as before, although the Insurance Code means it no longer has this mandate[149]. Our consultations unveil a big interest from prospective insurance companies to seek licenses, however these licenses will not be granted until the ARCA is fully operational.

It is important to note that the Code is structured at a law level, therefore there is limited scope for ARCA to adjust the framework. This means that any amendments that might be necessary later on, requires an amendment of the law itself. In cases where the law is more generic (and provides the framework), the supervisory authority has the power to issue a secondary level provision (such as a regulation, circular; etc.), which allows amendments to be effected more efficiently. Therefore, it will be necessary to assess, in each case, whether the provisions of the Insurance Code leave sufficient room

[148] Law 15/005 of 17.01.2015 (DRC)
[149] Under the Insurance Code (2015), SONAS should seek a license like any other insurer.

for ARCA to issue secondary provisions and if not, it will be necessary to amend the Insurance Code or issue a new specific law on the matter.

The capital requirements for limited companies are high compared to other SSA countries, which may limit the potential for inclusive insurance. According to the Insurance Code, a limited liability company that aims to operate as an insurer needs to have a minimum capital of approximately USD 10 million. This capital requirement is high compared to other SSA countries, as illustrated in Table 14. Article 295 provides that depending on the transaction, ARCA could require more capital, however there is no mention of the possibility of lower capital requirements.

Mutual companies can operate as risk carriers and while proportional rules apply, capital requirements are also high. The Insurance Code allows mutual insurance companies to operate as risk carriers.[150] This is an important step forward, which is aligned with current trends that show that mutual insurance companies play a key role in inclusive insurance and its share in the world that is increasing.[151] Indeed, according to the International Cooperative and Mutual Insurance Federation (ICMIF) the sector represented 27% of the total global insurance market in 2014 and it has reported an increased premium income by 30% since 2007, compared to 14% growth for the total market.[152] The Insurance Code also allows mutual insurance companies to form a mutual reinsurance company. Interestingly, the regulation brings some proportionality, allowing mutual insurance companies to have minimum operating funds of USD 3 million, which is much less than the requirement for limited liability companies. However, this revised level is still high compared to the rest of the region, where in at least two countries, mutuals and microinsurance mutuals can operate with much lower capital requirements (see Table 14). The capital required for MI-Mutual Benefit Associations in the Philippines is also much lower with approximately USD 220,000.[153]

Table 14: Capital requirements in selected African Countries

Country	Who can underwrite insurance? Is there a special prudential provision for inclusive insurance?	Capital requirement for insurers according to type
Angola	Public companies	Non-life: USD 6,000,000 Life: USD 8,000,000
Botswana	Public companies Special category of micro-insurer	Life and non-life: USD 310,000 Microinsurance: USD 155,050
DRC	Public companies Mutuals	Public companies: Non-life and life: USD 10,000,000 Mutuals: Non-life and life: USD 3,000,000
CIMA[154]	Public companies Mutuals MI company MI-mutual	Non-life and life: USD 8,200,000 Mutuals: USD 4,920,000 MI company: USD 790,000 (CFA 500,000,000) MI mutual: USD 474,000,000 (CFA 300,000,000)
Mozambique	Public companies Mutuals	Public companies and mutuals: Non-life and life: USD 2,944,632

[150] Article 303 defines mutual insurance companies such as "non-profiting groups".
[151] Mutual insurance in the 21st Century – back to the future?, Swiss Re 2016
[152] Member statistics: key statistics 2015, ICMIF 2016
[153] Regulatory Impact Assessment Microinsurance Philippines, RFPI 2015, see also Annex 9
[154] http://www.financialafrik.com/2016/04/10/assurance-zone-cima-le-capital-minimum-du-simple-au-quintuple-exclusif/#.WEZ3wbnN3IU; CIMA Code Article 718, Règlement 0003 CIMA

Country	Who can underwrite insurance? Is there a special prudential provision for inclusive insurance?	Capital requirement for insurers according to type
	Microinsurer public companies Microinsurance mutuals	Microinsurance: - MI public companies: USD 380,000 - MI Mutuals: USD 110,000
South Africa	Public companies Cooperatives	Non-life: USD 753,900 Life: USD 1,507,700 Microinsurance: USD 452,310
Tanzania	Public companies	Non-life and life: USD 675,900
Zambia	Public companies	Non-life and life: USD 208,300

Source: Update of FinMark Trust/Chamberlain et al, 2013

In some cases, foreign insurers can operate without licence; this could be positive for innovative products difficult to design, such as agriculture microinsurance and parametric insurance products. According to Article 286, cross-border insurance is forbidden. However, Article 285 of the Insurance Code allows foreign companies to carry out insurance or reinsurance activities without a licence if the MoF, after consultation with ARCA, finds that no insurance and reinsurance policy covering a specific risk or category exists in the national market. This provision could be positive for inclusive insurance in particular for cases where local licensed companies cannot and do not offer needed covers such as agriculture insurance products or parametric products. Until ARCA is fully operational and issues licenses for new insurers, the brokers managing coverages from foreign insurance companies, which are operating in the country with the consent of SONAS and the MoF can continue operations. When ARCA is operational, the exemption for foreign insurers operating themselves in the DRC is still valid.

The Insurance Code allows insurance companies to create a professional association, with a high level of involvement from the ARCA and the Ministry of Finance; the latter could be perceived as disproportionate. The Insurance Code recognises the importance of this professional association to develop the insurance market. This association will be the natural body to facilitate an institutionalised dialogue between the industry and ARCA. This is in a context where Article 294 provides that on behalf of the entire industry the association can submit questions to the insurance regulatory and supervisory authority. The MoF is mandated to approve the Articles of Association. Furthermore, ARCA as per the legal requirement, must be informed of any agreements with foreign entities or countries related to rates, general insurance contract terms and conditions, competition, financial management or application of conventions, which is a requirement that is perceived to be disproportionate. However, given that it is likely that self-regulation of the industry will play an important role in the context of the development of inclusive insurance, it is appropriate to have that level of involvement of MoF and ARCA at an initial stage, but it is expected that this will decrease overtime.

5.2.2 Distribution channels

The Insurance Code recognises alternative distribution channels besides the traditional insurance intermediaries. However, such recognition is narrow and ambiguous. Insurance companies can commercialise their products directly or through traditional insurance intermediaries according to Article 458 of the Insurance Code. Furthermore, Article 460 allows some entities to commercialise specific insurance products, namely:

- Credit providers or the people who contribute to provide the credit: insurance products covering death, disability, unemployment or professional activity that act as collateral for the credit reimbursement;
- Freight brokers: river freight or cargo transportation insurance;
- Managers, travel agency staff, banks and financial institutions and their agents: insurance products covering travel assistance;
- Licensed banks, financial institutions, MFIs, saving banks and the post office: insurance products can be offered by their high-touch sale points when the person who is commercialising the product has been authorised and complied with certain training and skills requirements.

In this context, the Insurance Code recognises two tools that could serve to promote access to insurance in the DRC: (i) credit-linked products and (ii) other types of insurance products that can be distributed by banks, financial institutions, microfinance institutions, saving banks and the post office. Regarding the first tool, credit-linked insurance products are key for the development of retail insurance in the country and will facilitate the advancement of the insurance market in the DRC, hence this provision is favourable. The second tool on the other hand is ambiguous, insufficient and inadequate for the following reasons: (i) it does not specifically refer to SACCOs, thus leaves room for interpretation. However, given that under the SACCOs law they are considered to be financial institutions, it is understood that SACCOs are covered by Article 458 of the Insurance Code. (ii) The requirements for the person selling products in the licenced bank, financial institution, MFIs, saving banks and the post office are excessive and disproportionate.[155] This may be one of the biggest regulatory barriers that could hinder access to insurance. (iii) The regulation seems restricted to the entitles that are specifically mentioned, excluding other entities with distribution potential such as petrol stations, retailers, agriculture dealers, pharmacies, MTOs, or MNOs, amongst others.

A BCC regulation on agency banking is under discussion. It is unclear if banking agents would be allowed to commercialise insurance products or support other processes in the value chain and their capacity is a major concern.

5.2.3 Product design and approval

The Insurance Code indicates that certain retail insurance products are mandatory, which is positive for the inclusive insurance agenda. The Insurance Code requires certain insurance products to be mandatory, such as civil liability insurance for (i) motorised land vehicles owners; (ii) air carriers; (iii) maritime, lake and river carriers; (iv) construction and (v) fire. According to Article 238, upon ARCA's recommendation and consultation, the MoF can propose to the Prime Minister to make compulsory other insurance products. The mandatory categorisation of certain types of insurance is significant for the development of the retail insurance market in the DRC, given that an important segment of the population must take up civil liability insurance to use motorised land vehicles (all vehicle owners) and fire insurance (owners, or third party operators of certain buildings). With respect to mandatory fire insurance, the Insurance Code provides that the following buildings must be insured: buildings used as administrational, cultural, or health centres, schools, concert and recreational halls and rental properties for industrial, agro-industrial, artisanal or commercial use. This implies a large number of MSMEs will be required to take out fire insurance to protect their productive assets. In addition, key infrastructure for social development will be also protected against fire. Another positive

[155] According to Article 469 the person needs to hold a diploma included on a list set by ARCA, have held a full time position for at least 6 months in the internal or external departments of an insurance company, broker or insurance broker, performing duties related to the production or application of insurance contracts, and have completed a professional internship. The professional internships are regulated in Article 470.

aspect is that mandatory coverage may be extended to also include the contents of the building as well as costs specified in the contract's clauses.

It is possible to offer bundled non-life and life insurance covers, which favours inclusive insurance development. Article 403 provides that if a company has a license for a main risk belonging to a property and casualty class, they could cover risks included in life classes without having a specific license for those risks. However, these "additional" risks must be related to the main risk, address the same risk and be dealt with by the same contract that covers the main risk. In addition, according to Article 404, companies that are licensed to conduct business in the life-death class and in insurance related to investment funds can also provide insurance products for personal injury (including occupational invalidity, accidental death or disability due to an accident or illness) as accessory covers.

There is no recognition of non-indemnity property insurance, which is a legal barrier to the development of parametric insurance products.[156] Article 37 of the Insurance Code provides that property insurance is an indemnity contract and that compensation cannot exceed the value of the insured property at the time of the loss. This could pose difficulties for the development of parametric insurance solutions against natural disasters for farmers or MSMEs, which are designed as non-indemnity property products (See Box 3). However, in the same article, the Insurance Code recognises the possibility of products where the value of the property is agreed upfront when the contract is entered into by the parties and cannot then be disputed after a loss is suffered. This provision gives some room to design parametric solutions but it is still quite restrictive. To date, no data shows that such schemes are available in the DRC.

Box 3: Parametric Insurance

Parametric insurance products make pay-outs not based on assessed loss, but on the intensity of the event. The intensity of the event is based on an index that is correlated with losses, such as wind-speed, the amount of rain or average yield losses. The pay-outs are triggered when the index falls above or below of a pre-specified threshold.

The most important parametric insurance programmes worldwide have been designed and implemented in SSA with the aim of finding effective risk transfer alternatives to this reality. They aim to cover individuals, institutions and governments. Public Private Partnerships (PPP) have been key in the design of risk management alternatives against natural disasters. An example of this is the creation of the CNASS ("*Compagnie Nationale d'Assurance Agricole du Sénégal*"), an initiative of the Government of Senegal and the private sector that aims to provide a risk transfer solution to the agriculture sector for CIMA members.

Examples of initiatives covering individuals, in particular smallholder farmers: The Agriculture and Climate Risk Enterprise (ACRE), formerly Kilimo Salama, in Kenya, Rwanda and Tanzania; and the Rural Resilience Initiative (R4), formerly HARITA, in Ethiopia and Senegal, with plans of scaling up in Zambia and Malawi; R4 is a strategic partnership between the WFP and Oxfam America.

Examples of initiatives covering governments: The African Risk Capacity (ARC) is Africa's first parametric catastrophe insurance pool covering sovereign disaster risks. ARC has 32 signatory countries of the African Union, the DRC is not yet a signatory country. The last country having received a pay-out was Malawi, who received USD 8 million to support drought-affected families.[157]

Sources: CCAFS 2015, ARC 2016

[156] **Parametric insurance** is a type of insurance that does not indemnify the pure loss, but ex ante agrees the amount to be paid upon the occurrence of a triggering event and its severity. The triggering events are generally natural catastrophes.
[157] http://www.africanriskcapacity.org/wp-content/uploads/2016/11/EMBARGO-ARC-Press-Release-14-Nov-2016-ENG-FR.pdf

Group insurance is specifically regulated and recognised, which supports inclusive insurance development. It is an important feature of the Insurance Code that it regulates group insurance. Firstly, it highlights that the policyholder and insured parties should have a common link. Secondly, group insurance is defined as an insurance contract entered into by a legal person or company director with the view to adhere a group of persons to cover against risks affecting a person's physical integrity or maternity risks, risk of incapacity to work or risk of unemployment. Some market conduct rules included in the chapter on group insurance are supportive. They relate mainly to the disclosure of information to the insured party, transparency of premiums and the viable mechanisms to be able to exclude a member from the group.

Reinsurance ceded abroad on more than 75% of the risk requires consent from the Ministry of Finance, which may be a barrier for inclusive insurance. According to Article 286, in these cases the MoF, after consultation with ARCA, will decide whether or not to provide its consent. This could be a cumbersome process notably in the context of innovative product design in an emerging insurance market. This is in a context where the local capacity and skills necessary to evaluate and to retain part of the risk in respect of innovative products are low. In addition, pools of domestic capital are shallow and interlinked and so cession abroad is beneficial to diversify exposure. When an insurer is just getting familiar with innovative products for a more risky segment and does not have the financial capacity or skills to manage certain risks, fronting the risk, or retaining only small portions of it, would seem to be more appropriate, at least in the initial stages of market development.

The product approval process seems to be reasonable and includes a fixed deadline for ARCA to respond, which supports innovation. According to the Insurance Code, insurers must provide ARCA with five copies of the policies' general terms, offers, applications forms, prospectus and print-outs intended for public use, published or issued to policyholders or members, prior to their use. In addition, before applying their rates, insurers must provide ARCA with three rate samples and seek their approval. Insurers that offer life insurance products covering accidental death and disability must include not only information about the rate but also technical justifications. It seems clear that only certain products require technical justifications, whereas the majority of products just require the insurer to submit copies of the contractual and marketing documents and the rate to be used. The product approval process is reasonable and a fixed deadline for ARCA to approve rates is included. ARCA will be allowed to request amendments up to a month from the date that a rate, or any other insurance document has been received by them. Beyond that deadline, the policy can be released to the public. If a policy is found to breach legal and regulatory provisions, ARCA can request its amendment or not permit it to be issued to the public.

5.2.4 Disclosure of information of the risk carrier

The Insurance Code requires information to be disclosed by insurers in writing which may be a barrier to inclusive insurance market development. Article 20 covers the obligations to disclose and advise, however it relies on the fact that this is complied with by providing written information to the client. The Insurance Code does not recognise the possibility of using remote or electronic mechanisms to disclose information. In the DRC electronic contracts are still not allowed and this could be a hurdle for the development of inclusive insurance. It is important to note that the OHADA[158] Law of General Commercial Rights of 2011, which was ratified by the DRC, allows electronic documents but only in the context of the provision of information to the Trade Register and other formalities recognised in the OHADA Law.

[158] Organisation pour l'Harmonisation en Afrique du Droit des Affaires (Organisation for the Harmonisation of African Business Law)

Contractual documents must be simple, intelligible and clearly state the key provisions of the contract, which will support inclusive insurance development. Articles 9 and 20 of the Insurance Code provide that contractual documents need to be simple, drafted in legible characters and the most contentious clauses should be in bold and visible characters. Such provisions would include the exclusions and the terms of the contract. The Insurance Code recognises the possibility of using insurance certificates for group insurance, which are generally characterised by being shorter and simpler. These clauses are important for inclusive insurance because of the low levels of awareness and knowledge of legal vernacular featured in insurance contracts among the target population.

To ensure that consumers provide their "informed consent", an information sheet must be handed out in a timely manner, which can improve consumer understanding. Article 8 provides that before entering into a contract, the insurer should send the contract, or an information sheet with key information on the product, to the prospective insured party. The information sheet should include a detailed description of the following: the coverage, the exclusions, the insured party's obligations and the premium. This provision aims to ensure that the insured party receives complete information before contracting. It establishes guidelines with respect to the form in which information must be disclosed to the client. This provision refers to an "information sheet" as an alternative to the contract. This is encouraging as it allows the possibility of using a key facts document that can serve as a quick reference guide for the client and can improve the clients understanding of the policy details, i.e. what is covered, what is excluded, and what are their roles and responsibilities.

The list of the minimum contractual information required to be disclosed to consumers is proportionate, hence it may support inclusive insurance. When looking at the general list of minimum contractual requirements, the contractual documents could end up being quite long. However, as set out in Table 15, most of these details are required when the consumer is a new client:

Table 15: Minimum contractual information to be disclosed to insurance consumers

Requirement	Assessment
1. Names and addresses of contracting parties	OK
2. Identification of the insured risk	OK
3. Explanation of the risks covered	OK
4. The experts to be called upon for a particular claim	It is not clear why this is needed
5. Dates of coverage	OK
6. Limits on indemnity	OK
7. Insurance contribution to be paid	OK
8. Ability to extend and terminate	OK
9. An obligation on the insured party to declare the state of the risk and the sanctions for failure to do so	OK. This is very important as it is one of the most common problems experienced by consumers. Consumers of inclusive insurance are generally not aware of the extent of this obligation (or even of the existence of this obligation).
10. Term and conditions for submitting a claim and the sanctions for submitting a late or false claim	This is very important for the same reasons as in number 9 above
11. The time periods in which the insurer must propose a settlement and those in which the indemnified claim must be paid	As will be seen below, the claim settlement deadlines in the DRC are long and confusing, so just an explanation of these provisions would result in a lengthy contract.

Requirement	Assessment
12. The procedure and principles to calculate the compensation paid to the consumer	Same comment as point above
13. Limitation period for claim action and interruption and suspension of limitation period	OK

Source: established by Andrea Camargo 2016

Information about the insurer and its identification as a supervised entity should be disclosed, such provision reinforces transparency. According to Article 287, all titles, prospectuses, posters, flyers, nameplates, printouts and any other documents intended for public use, or produced by a company mentioned in the previous Article, must bear the licence number of the insurer after the company name or title.

There are specific requirements of additional information for certain types of insurance products or subscription mechanisms. As illustrated in Box 4, most of the specific requirements seem proportionate, but only those that imply handing out unnecessary documents to the client could pose hurdles for the development of inclusive insurance.

Box 4: Additional requirements of information to be disclosed to consumers

- **Group insurance:** Article 282 requires that policyholders provide members (the insured party) with a document prepared by the insurer that explains the guarantees and the terms for entry into force of the contract. In addition, they must provide an explanation of any formalities that must be complied with in the event of loss, and advising members in writing of any modifications made, if applicable, on their rights and obligations. This is a positive provision that reinforces the awareness of insured parties in group insurance.
- **Life insurance:** Article 248 provides that the following details must be included in the policy document: the full name and date of birth of the insured party; the period to which the annuity relates and the due date for payment in respect of the annuity; and the periods for and terms of payment. The Insurance Code also provides some extra information for capitalisation contracts, i.e. insurance policies with a savings component. This information is key for certain type of life insurance products and for its level of sophistication needs to disclose in a simple way.
- **Mandatory fire insurance:** Article 223 requires that the policy specifies the scope of the parties' rights and obligations; the circumstances in which the contract can be cancelled; and other termination terms, any exclusions and forfeiture rights. This is positive as it promotes transparency.
- **Mutual insurers**: Article 311 provides that insurers' articles of association must be made available to members. However, Article 9 provides that the mutual must hand out the complete text of its articles of association to the insured party. The first provision makes sense, but the second requirement could end up increasing costs and making the information that is handed out to the insured party overly lengthy.

Mandatory products must have standardised clauses, which facilitates consumers' understanding and transparency provided those clauses are simple and easy to understand. Article 239 provides that the clauses of mandatory insurance products must be standardised and provides for this to be regulated by decree. In addition, other elements related to product design must also be standardised, such as the definition of covers, the price and commissions. This is an important provision for inclusive insurance as it allows consumers to be aware and familiarised with homogenous terms and conditions regardless the provider for products that they have to purchase.

The Insurance Code aims to protect consumers by ensuring that: i) the terms and conditions that consumers considered and agreed to are actually the same as those contained in the

contract itself and ii) clauses that are ambiguous are construed in favour of the insured party. Article 7 provides that if the contract or information sheet shared before entering into the formal contract diverges from the final version of the contract, such different provisions will not be binding on the insured party. In addition, Article 9 provides additional protection for consumers when ambiguous clauses are included, by stating that such clauses will be construed in favour of the insured party.

5.2.5 Consumer acceptance and disclosure of information to the consumer

Consent must be provided by signature, given that electronic signatures are not allowed in the DRC, this could be a hurdle for the development of inclusive insurance. Article 8 of the Insurance Code provides that the contract must be signed by the policyholder, not the insured party. This is a helpful provision as it allows that, in the case of group policies, the policyholder can provide his or her signature in writing. In any case, signatures are required and unfortunately electronic signatures are not allowed in the DRC. This could pose problems notably if we consider that the target market of inclusive insurance do not know how to write, do not have a signature, or because the cost of transfer to reach the policyholder to have the policy signed, could be extremely high.

No explicit delegations by the insured party are required to pay privileged creditors and mortgagees in the context of credit-linked insurance products. According to the Insurance Code there is no need for an explicit delegation or cession from the insured party allowing the insurer to pay the indemnities due to the privileged creditors and mortgagees of the insured party. This provision facilitates the processes required in the context of credit-linked insurance products, however the insured party should be aware that those payments took place.

For life insurance it is not necessary to stipulate the name of the beneficiary when entering into the contract, which is positive as it eases the enrolment process. The Insurance Code allows that the beneficiary is determined later or following the legal provisions related to inheritance. Therefore filling this additional information by the insured party will not be an obstacle during the enrolment process in the DRC.

When the policyholder is married, both spouses are required to provide consent before entering a contract. Although the Family Law was amended in 2016 and the prohibition targeting married women was modified, the new provision, Article 448, states that both spouses must provide their consent before entering into a contract or legal act*)*. Even though it could be possible to challenge the application of this provision when the insurance contract does not commit the other spouse, it is a provision that will not facilitate the enrolment process in the context of inclusive insurance either for married individuals.

The consequences of an insured party failing to comply with certain obligations are quite drastic for inclusive insurance, especially given that a new insurance consumer will be less likely to be aware of its obligations. For instance, according to the Insurance Code, if the insured party puts down an incorrect age, it will void the insurance contract if their true age falls outside the policy limits. This is problematic as, given the relevant target market, certain consumers are sometimes unaware of their exact age and in particularly women may not have identity documents where such date is specified.[159] Indeed, most Congolese do not have identity documents (only 4% of the population has such documents).[160] In addition, the consequences of a failure to comply with other obligations, such as the declaration of the state of the risk, may also seem drastic. Notably, even though the contractual documents should clearly include such obligations and its consequences, the typical consumer of inclusive insurance products is not familiar with such obligations and also his/her risks, and it is quite

[159] World Bank 2016
[160] Roadmap/MAP 2016

feasible that they will neither read the documents nor understand the obligation or have Identification Documents.

The regulation on Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT) allows proportionality for the compliance with KYC for low-value transactions. The AML/CFT Law provides that clients of financial institutions who are transacting for less than USD 10,000 do not need to be identified by the financial institution. This is positive as this implies less administrative costs and fewer hurdles in the enrolment process for inclusive insurance.

5.2.6 Premium payment

The inception of an insurance contract in DRC is dependent on the payment of the premium. According to Article 16 of the Insurance Code, the inception of the insurance starts when the premium is paid and insurers cannot underwrite or renew an insurance contract whose premium has not been paid. The only exception for this is for risks with a very high premium where a grace period is established. The non-existence of a grace period for premium payment could be an issue as low-income segments including MSMEs, farmers and women of child bearing age have irregular incomes.

Considering the constraints related to payments in the DRC, the modes of premium payment allowed could present an issue in the context of inclusive insurance. The Insurance Code requires that premium payments are made to the insurer's or the intermediary's address. This is extremely cumbersome and will deter people from purchasing insurance, especially when considering that: i) according to the MAP Diagnostic, more than 90% of adults make all of their payments in cash; and ii) the DRC is characterised by difficult topography and a lack of infrastructure. In this context, providing for mobile payments and other alternatives are essential. There are some regulatory measures that aim to boost electronic payments through mobile phones, such as Instruction 24 of 2011 of the BCC; and to facilitate payments through bank transfer (inter-banking payments); or the inter-banking monetary project of the BCC; or the project and to allow banking agents. However, some of these initiatives are still waiting to be implemented, and others are not optimal.[161][162] In addition, with respect to electronic payments using mobile phones, some obstacles remain, including penetration, quality, coverage and service (as mentioned in this diagnostic).[163]

5.2.7 Claims settlement and contract termination

If the beneficiary fails to notify the insurer of the occurrence of the loss, this has serious consequences under the Insurance Code and for inclusion. Article 18 indicates that the beneficiary must notify the insurer of any loss by a certain deadline falling very shortly after the relevant event. The specific date can be agreed by the parties but cannot be less than eight working days from the date of the event. For some products, such as theft and death of livestock insurance, the deadline is five days. Furthermore, it states that if the beneficiary provides an inaccurate declaration of loss to alter the insurer's assessment and gain undue advantage and acts in bad faith, the beneficiary will not be entitled to the insurance benefit. Although this seems innocuous, the problem is that this could be open to abuse,

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[161] For instance, according to MAP 2016: "electronic money institutions are limited to the provision of services related to the issuance, management and provision of electronic money, as well as the storage of electronic money on behalf of other legal entities. They are not allowed to collect public savings or to offer loan products. Prudential requirements are also not in line with the proportionately low risk. This poses a barrier to competition"

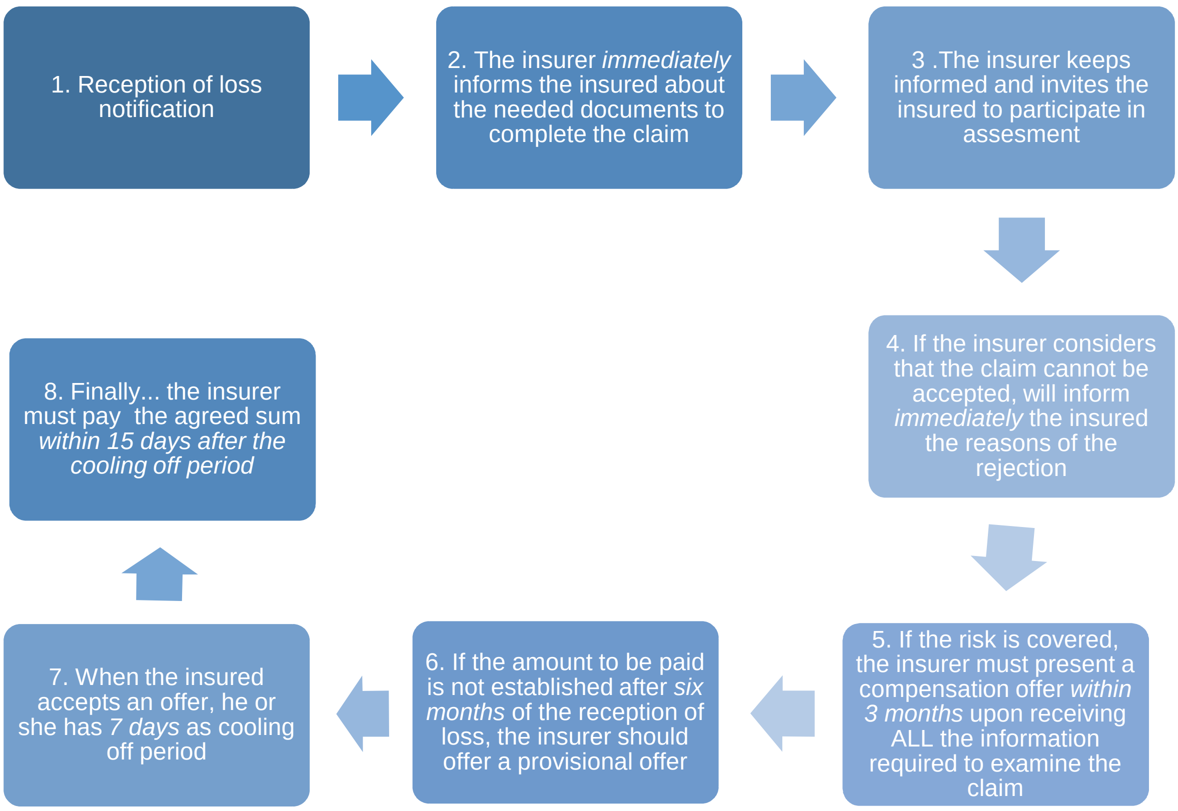
[162] De la réglementation de la messagerie financière face au paiement électronique. Cas du transfert de fonds par téléphone portable, Université officielle de Bukavu 2013, Road Map/MAP 2016

[163] Mobile Money in the Democratic Republic of Congo: Market insights on consumer needs and opportunities in payments and Financial services, GSMA, 2013

as the insurer can allege, when it sees fit, that the client was acting in bad faith, linking the delay to any type of possible damage.

The claim settlement process is unclear, confusing and difficult. Figure 4 describes the claims settlement process provided by the Insurance Code. This process has many steps, is confusing, lengthy and gives a lot of room for the insurer to prolong the claim settlement process. Firstly, it does not clearly states how long the insurer has to pay the claim, but leaves the parties to agree on a deadline. Secondly, despite that period being agreed, as in any event, the Insurance Code provides a sequence of lengthy and unclear processes thus making it unfeasible for a beneficiary to receive their payment in less than 6 months. Thirdly, the provisions does not set clear limits on the types of documents insurers can request from the beneficiary in order to support their claim. This could allow insurers to require the production of overly burdensome documentation to delay or reject a claim. Fourthly, there is a lot of back and forth with consumers, which needs to be avoided in inclusive insurance as this would entail extra cost and time. All of these issues will have a detrimental effect on consumers' trust of the market and should not be applied in inclusive insurance.

Figure 4. The claim settlement process as indicated in the Insurance Code



The documents required to be produced by victims in the context of mandatory motor vehicle insurance are disproportionate. Articles 146 and 147 provide a long list of documents to be presented by victims and victim's beneficiaries when filing a claim in the context of mandatory motor insurance. Amongst the documents required are: information on their profession, the address of the employer, income with supporting documents, a description of injuries with an initial medical certificate and other documents; a list of third party payers called to pay benefits and their addresses, their ID document; their birth certificate or a document in lieu and a marriage certificate. The victim's family are required to supply: proof of relationship to the victim, proof of their professional activity, proof of income, certification of succession, death certificates, certificate detailing nature of the victim's death, civil status documents of assignees and their identity document. Such requirements are extremely disproportionate. Firstly, because most of the documents required do not have any bearing with the insurance cover. Secondly, they are difficult to obtain, notably if we consider that only 5.7% of the Congolese people have proof of income, 8.2% have proof of residence, 4.1% have a passport, 3% have a drivers' licence, and less than 4% an equivalent identity document.[164] Thirdly, obtaining some of these documents will entail considerable expense and time. Therefore, such requirement seems inappropriate in the context of insurance in general, and worse, in inclusive insurance. The reputation of insurance in general will suffer, and the trust in the system will be difficult to establish.

The termination provisions of an insurance contract seem inappropriate considering the particularities of the typical consumer of inclusive insurance. According to Article 27 of the Insurance Code the contract can be terminated by each party when the following events occur: change of address and profession, retirement or final termination of professional activity and change of situation or change of marital status. These causes seem inappropriate for any retail consumer and more so, for the lower income segment and MSMEs. For instance, as consumers tend to migrate, their employment and cash flows varies, and their marital status is sometimes unclear. [165] If one of these circumstances arises, according to the Insurance Code, the insured party must notify the insurer of the situation and the contract could be terminated by the insurer or by the insured party.

The voluntary termination of the contract by the insured party is restricted for group insurance, voluntary termination by the borrower is also restricted for credit-linked products, this could be challenging in the context of consumer protection. For Group insurance, Article 282 of the Insurance Code provides that members can terminate their memberships. However, this cannot be done if the link, which connects the client with the master policyholder (MPH) makes his or her membership to the contract compulsory. In addition, the same article provides that the policyholder cannot cancel the credit insurance contract without prior consent from the lender. This could pose some concerns regarding consumer protection, however it is important to consider that the lender and the policyholder in a group policy could have also an insurable interest that provides legitimacy to this provision.

Insurers cannot terminate the contract when a claim has been filed, which is positive in the context of inclusive insurance. Article 26 of the Insurance Code provides that any clause that authorises the insurer to cancel the contract after a claim has been filed is struck out. This provision is positive as the insurer cannot discharge its obligations when a claim has been filed.

5.2.8 Complaints handling

ARCA's Decree provides for a specific external mechanism for complaints handling and dispute resolution, however, neither the Decree nor the Insurance Code provide for an internal mechanism within the insurance providers. The Insurance Code does not provide for a framework applicable to insurance providers to handle complaints from consumers arising to the insurance contract, therefore, there is no provision referring to internal mechanisms to handle complaints. This implies that, when a consumer has a complaint to file, he or she will not have a clear set of rules providing to whom this complaint should be addressed, how many days the provider has to respond, how a complaint should be filed, etc.[166] However, based on Article 398 of the Insurance Code and the current drafting of the Decree that creates the Consultative Insurance Council (CIC) of ARCA. The CIC

[164] Regulating for inclusive insurance markets in SADC: Review of regulation, FinMark Trust 2014
[165] FinMark Trust 2014
[166] It is noteworthy that Law 11-020 provides that MFIs should have an internal complaints handling system available for their clients (BCC 2014)

will be in charge of an external mechanism for complaints handling and dispute resolution, which complements the traditional dispute resolution mechanisms available in the country (see Box 5, Dispute resolution mechanisms available in the DRC).

Box 5: Available dispute resolution mechanisms for insurance consumers

- The Consultative Insurance Council: the consumers can file their complaints with the CIC. The CIC will have to issue an opinion to solve the dispute. The extent of the nature of the CIC's decisions is still unclear as the Decree of the CIC is still pending.
- The traditional jurisdictions: while waiting the opinion of the CIC by Decree, the consumers can refer the case to the courts, such as the Commerce Court and the Supreme Court in a first degree, and the Appeal courts in second degree. (Source: Rebuilding courts and trust: An assessment of the needs of the justice system in the Democratic Republic of Congo, ILA 2009)

In that context, traditional dispute resolution mechanisms are applicable, but unfortunately, those are characterised by being difficult to have access to, limited and expensive. Access to justice is very limited in DRC, indeed, most of the population cannot have access to formal justice system because of resources constraints and geographical access. In addition, there is a widespread perception that access to courts is for the stronger and richer. For instance, a survey participant of a BCC of 2014 stated that: *"As justice in the DRC is for the powerful, I was helpless when facing that financial institution"*.[167] Such problems are more prevalent in the segment of the population to which inclusive insurance is targeted, and those problems are amplified by the lack of awareness of the traditional dispute resolution mechanisms. In addition, customary courts do not have appropriate resources, skills, face infrastructure problems and staff shortages. Furthermore, allegations of corruption are common and enforcement of judgments is extremely difficult and expensive, as fees associated with enforcement need to be paid in advance.[168] Such problem of skills is key if it is considered that it is unlikely courts will have the appropriate skills to deal with disputes arising from insurance contracts. However, indicated in Box 6, there are some initiatives, which aim to confront these challenges.

Box 6: Initiatives aiming to face access to justice limitations in the DRC

- The Ministry of Justice has attempted to create a website where basic laws are accessible and where individuals can make complaints, however problems of infrastructure and access to internet put in danger such initiative.
- People can have legal aid from their local bar association, however being entitled to do so is costly and difficult given that they need a certificate of indigence that requires the compliance of certain conditions, costs and can only be issued by local municipalities (Road Map/MAP 2016).
- In the National Development Strategy 2017-2021 the reinforcement of the judiciary system is a priority.
- Some initiatives supported by NGOs and international donors are aiming to provide access to legal aid for free in remote areas. Such is the case of Cordaid, which literally drives lawyers and judges in 4x4 to remote areas in the context of their project "4x4 Justice Program" (Human Rights Funding News, IHRFG e-newsletter, 2014)
- There are also local initiatives where the communities are organising themselves in order to create their own mediation structures, mediation committees, where mediators receive a training in paralegal so they are

[167] BCC 2014
[168] Rebuilding courts and trust: An assessment of the needs of the justice system in the Democratic Republic of Congo, ILA 2009

able to carry out such activities (Source: *"Les structures alternatives de résolution des conflits: entre réponses à l'inefficacité du système judiciaire congolais et complémentarité avec l'action des tribunaux. In J. Solidarités, S'approprier le droit pour construire la paix en Afrique Centrale, Juristes Solidarités, 2007"*)

5.3 Supervision

Completing the internal structuration of ARCA is the next crucial step. The president has signed a first Directive under the insurance code to set-up up the supervisory authority ARCA.[169] The Chairman as well as the Managing Director and the Deputy Managing Director of ARCA were nominated in November 2016, which was a crucial step forward. Preparations to select and train staff and nominate board members are in process. The International Monetary Fund (IMF) and the World Bank have been preparing to provide technical assistance to support the new authority. Once ARCA is internally structured, the process of licensing insurance companies and intermediaries can start.

ARCA supervises commercial and mutual insurers, which can both offer inclusive insurance. According to the Insurance Code, ARCA has the mandate to supervise commercial and mutual insurers. Both types of insurers can be expected to offer inclusive insurance products. Developing effective supervisory approaches requires capacity building to ensure that both type of entities are supervised effectively and in a proportional manner. Systems for off-site and on-site monitoring will need to be established from scratch. For inclusive insurance, this is a unique opportunity as the lens of inclusive insurance can be integrated in all systems, tools and techniques, and in capacity building efforts from the outset.

The risk based supervision approach[170] adopted supports proportionality, which benefits access to insurance. According to the Insurance Code and ARCA's Decree, there is a focus on risk based supervision. This is an important achievement that will emphasise the importance of the implementation of the proportionality principle by ARCA by carrying out its oversight powers. This will imply that ARCA should have to consider the particularities of inclusive insurance, its risks and based on these risks, ARCA will establish certain regulatory and oversight measures proportionate to such risks.

Consumer protection is within ARCA's mandate but its regulation is more focused on the solvency of providers. The Decree 16/001 stresses the importance of the protection of the rights of the insured party. However, the Decree does not include a wide range of provisions on how such protection will be implemented, for instance through a consumer care department, and very broadly describes a complaints handling system provided by ARCA. Future regulation of ARCA should address that gap.

Many distribution channels and service providers in the inclusive insurance value chain are under the jurisdiction of other authorities or are not supervised, this is one of the biggest supervisory challenges in inclusive insurance. The inclusive insurance value chain is characterised by the participation of financial and non-financial entities, which are under the supervision of other authorities or simply, they are not supervised. Among those are the financial institutions (alternative distribution channels, MNOs (under the Telecommunication authority ARPTC *"Autorité de régulation de la poste et des télécommunications")* and the MNO-owned EMIs (under the Central Bank), and an

[169] Décret n° 16/001 of 26.01.2016

[170] A **risk based supervision approach framework** is "a structured process aimed at identifying the most critical risks that face each insurance company and through focused review by the supervisor, assessing the company's management of risks, and the company's financial vulnerability to potential adverse experience" (World Bank, 2001)

array of TSPs. In fact, different supervisory authorities are going to be involved directly or indirectly in the process of supervision in the context of inclusive insurance. This can be a challenge when it comes to ensuring that those distribution channels adopt appropriate market conduct rules and that there is accountability when they do not do so.

6. Synthesis and recommendations

6.1 Conclusions

Addressing the limitations of the insurance market in the DRC will require huge investments. During five decades, the market was depending only on SONAS and, for large risks, on foreign insurers. The products range was limited and their quality deficient. Private households and enterprises had a restricted choice in terms of insurance products and providers. For most Congolese, this meant that they were not able to use formally provided insurance. Many of those compelled to or able to use insurance had bad experiences. Addressing the inherent challenges and the existing weaknesses will require huge investments in man-power, systems, organisational structures and institutions.

The development of an inclusive insurance market in the DRC can be expected to have positive effects on the country's economy. In the DRC, organising insurance as a risk protection mechanisms means that it has the potential to support sustainable development by providing a buffer from the vicious circle of poverty and by building resilience.

The portfolio at risk of our MSME clients is definitively linked to the lack of insurance.

Bank Manager

- The arrival of new insurance companies and mutual insurers as well as distribution channels will create new job opportunities and build the skills of those it employs.
- It will multiply the number of potential institutional investors that will mobilise funds.
- By enabling the engagement of private insurers and more distributors, the population and enterprises will be able to take out insurance products tailored to their needs. In turn, with insurance providing individuals and businesses with greater security about their future in the event of a shock, they may be more likely to invest in business growth.
- Insurance has the potential to catalyse the development of other financial services.[171] Microinsurance, such as micro life insurance, can leverage on existing credit, leasing and education savings products. In turn, insurance can be sold as a package with other financial products and services; e.g. with credit and payment facilities.

Some segments of the population and geographic regions may remain out of reach in an emerging insurance market. Based on the experiences of neighbouring countries, initially insurance penetration will concentrate in urban centres and reach individuals organised in groups such as MFIs, or the formal business sector. Those based in remoter regions and within the lower income segment will take longer to reach. Insurance and pensions in principles have the potential to mobilise longer-term financing. In the first years of retail insurance in the DRC, insurance policies may be predominantly short-term. However, in the longer-term, a more mature market can be expected to offer such products. While the few individual farmers in the DRC who are linked to markets and are financially included will be able to access simple micro and mass insurance products, population segments in remoter regions

[171] Understanding the opportunity for MSME insurance, Cenfri 2015 (presentation on insurance for MSMEs)

and the very poor will remain excluded from market-based inclusive insurance. Other measures, such as social protection schemes from the government will be required to fulfil these individuals' needs. In terms of agricultural insurance, developing specialised products for farming may not be a priority for insurers as they demonstrate the business case of their core offering and hence, may be initially unfeasible. Only when there is more experience and competition in the insurance sector, and supporting services such as weather data in the case of agricultural insurance, will insurers focus their efforts on the more difficult and less profitable population segments.

Financial sector characteristics and trends in the DRC signal the potential for insurance market development. These include: growth in borrowing and good potential for leasing; increasing rural outreach of financial service outlets; the increasing transaction number of e-payments and remittances; an increased number of physical contact points like branches and outlets of alternative distribution systems (e.g. agent banking, EMIs); a culture of savings even though largely informal; MNO engagement in the financial sector; political will represented in the forthcoming National Financial Inclusion Strategy; the support of the MoF and the flexible attitude and clear engagement of the BCC; the newly set-up ARCA, and the engagement of international development partners.

The insurance market in DRC is an attractive investment opportunity. The population of the DRC is estimated to grow from almost 81 million in 2016 to 100 million by 2020.[172] The size of the current insurance market is estimated at USD 500 million annually, for the non-life sector alone.[173] With the establishment of ARCA, the greatest barriers to privately-driven insurance market development will be removed.

Technology ranks high among the drivers of growth of insurance markets in SSA including the DRC.[174] The global consultancy Ernst & Young has identified drivers of growth for insurance market development in six SSA countries, which are equally valid for the DRC insurance market. The six drivers of growth are: (i) positive GDP growth (as a top driver); (ii) very low insurance penetration; (iii) rapidly growing population; (iv) rising consumer demand; (v) new technology; and (vi) organic growth and merger and acquisitions. For inclusive insurance in the DRC, new technologies are perhaps the most important factor that could unlock the development of the insurance market based on the experience of countries such as Kenya and Ghana. This includes online and mobile underwriting platforms for policy quotations, renewals and claims management; distribution channels that enable online and mobile purchases and premium payments; and new information technology (IT) software and hardware to facilitate data analytics, risk-based pricing and data storage.

Inclusive insurance is retail insurance market development with a focus on the excluded segments of the population such as low-income individuals and MSME. As "*inclusive insurance is a mainstream topic of relevance to the development of the retail insurance market as a whole*",[175] this study is highly relevant for the entire market of the "unserved", i.e. the entire retail market.

6.2 Access barriers and overview on proposed interventions

The complex barriers to the up-take of inclusive insurance in the DRC require concerted interventions underpinned by stakeholder engagement, dialogue and strong collaboration between diverse partners. Table 16 presents an overview of solutions to each of the main barriers, and concrete activity fields (+) for future engagements. It also presents certain limitations of inclusive insurance. These solutions will be explored in the recommendations section of this chapter. Each

[172] World Population Prospects, UN 2015
[173] EY 2015
[174] EY 2016
[175] IAIS 2015

solution requires the involvement of some but sometimes all stakeholders engaged in the insurance value chain, including those that sell, distribute, regulate, and supervise insurance. However, any market development initiative aiming to promote the development of inclusive insurance market in the DRC requires strong collaboration and dialogue amongst all relevant stakeholders.

Table 16: Access barriers, solutions and potential activity fields

Barriers	Solutions	Interventions
Income: **Limited disposable income and irregular income**	o Offer low-cost coverage o Provide flexible payment mechanisms o Add insurance to other financial services o Leverage off the USD 10 billion of savings held outside the banking system through innovative products with saving components o Unlock opportunities for remittances sent by diaspora through remittance-linked insurance products o Exploring alternatives to offer meso and macro insurance products	**Government:** + Increase awareness through the context of the financial education programs *Limitation: The poorest cannot afford insurance so they need to be protected through governmental schemes or public private partnerships* **Industry**: + Support for product design focusing on low premium products with value for consumers + Group-based risk calculation + Support on product design of products linked to savings and to remittances with innovative marketing strategies + Development of products tailor made for financial institutions offering financial services to the low segments of the population and MSMEs **Regulatory and supervisory authorities:** + Adapted regulation allowing grace periods and flexibility for premium payment
Offer: **Limited offer of affordable products and products with value to clients**	o Offer and pilot innovative and low-cost products o Reduce distribution costs through the usage of alternative distribution channels allowing mass distribution, mobile phone based distribution and the use of banking agents as transactional platforms or distribution channels o Promote the development of group insurance policies o Bundle life and non-life insurance products to offer " package products " with real value o Understand the needs of the target market o Allow a lower tier of risk carriers (mutuals or microinsurance companies) to offer innovative products and products targeted to the excluded	**Industry:** + Develop SUAVE products + Ensure that risk carriers with the support of distribution channels carry out demand-side studies to understand the needs and realities of the target market + Conduct group-based risk calculation + Foster sales attached to a provision of good service + Ensure that insurers and the Insurers Association adopt key performance indicators to measure the performance of inclusive insurance products and business **Regulatory and supervisory authorities:** + Ensure that the capital requirements for risk carriers do not pose a barrier for the development of inclusive insurance + Ensure that the regulatory framework allows the use of alternative distribution channels and innovative transactional platforms + Allow banking agents to play a role in inclusive insurance + Review regulation on the training requirements of alternative channels + Ease licensing processes for risk carriers focusing on the excluded segments that operate in other African countries and that are supervised in their home countries. + Ensure that ARCA is familiarised with the Key performance Indicators (KPIs) to measure the performance of insurance products and when the market

Barriers	Solutions	Interventions
		is more developed allow ARCA to assess products and providers based on these KPIs. + Relax the product registration processes, notably for pilots
Access: **Proximity a severe constraint**	o Develop mobile insurance by mobile money providers and banking agents o Leverage off governmental projects aiming to reach the excluded segments of the population and the MSMEs and include insurance as a component	**Government and industry:** *Limitation: Serve remoter rural areas after the initial stage of market development to increase their accessibility through public and private partnerships.* **Industry:** + Create partnerships with distribution channels and transactional platforms at frequently used access points + Encourage mobile-phone-based distribution through key partnerships **Regulatory and Supervisory Authorities:** + Ensure that regulation effectively promotes mobile microinsurance and entities aiming to offer mobile microinsurance in the country
Perceptions: **Limited awareness** **Limited knowledge of potential clients but also public and private entities** **Lack of familiarity** **Mistrust, negative perceptions**	o Implement financial education measures with real impact o Increase exposure of insurance through mandatory products that are offered in a responsible way o Make insurers understand that paying claims is the best way of educating people o Encourage the insertion of "Value Added Services" to ensure tangibility o Link the role of insurance in the context of the debate on Disaster Risk Reduction (DRR) and Climate Change Adaptation (CCA) o Motivate the use of insurance products o Enable agents to explain products properly o Offer simple products with few exclusions o Explain what insurance is o Launch needs-oriented products o Empower consumers and adopt a consumer centric approach o Disclose full, transparent, understandable and simple information about	**Industry:** + Create awareness among members of the Insurers Association about the importance of offering good products with real value and in a responsible way. This could be supported by technical assistance on product design and consumer protection, and through the adoption of Codes of Conduct with the support of ARCA. + Promote and ensure that the offer of mandatory products and credit-linked is responsible, by ensuring that consumers are aware of the benefits and can obtain those benefits. + Design simple products + Monitor key social performance indicators, assessing them and reacting on the results + Increase skills within the industry on inclusive insurance with the support of international technical assistance. + Adopt SUAVE approach + Offer proportionate training of agents and service staff + Add innovative components that allow easy use and that promote simplicity, transparency and efficient process + Build up partnerships with governmental institutions dealing with DRR and CCA to provide training on preventive measures and show the link of insurance as a DRR mechanism. + Conduct convincing educational campaigns with credible means that are close to peoples' reality + Combine financial education with good product offerings **Government:** + Develop and implement financial education measures and monitor and evaluate their impact with the support of the private sector. + Ensure that insurance is linked with other public policies such as DRR, CCA, food security, development of rural areas, amongst other. *Limitation: Influence a change in the judicial system* **Regulatory and Supervisory Authorities:**

Barriers	Solutions	Interventions
	the policy in innovative ways o Improve the claims settlement process o Improve complaints handing systems	+ Modify the claim settlement requirements for motor liability insurance otherwise, trust in insurance as a whole could be affected. + Monitor and request information on key indicators such as claim ratios and number of days to pay claims and assess. + Establish a framework on internal complaints handing + Ensure that the external complaints handling of ARCA decree is appropriate, accessible and efficient **Consumers:** *Limitation: Address the low general level of education* + Adopt measures to empower consumers and to effectively protect them during the entire life cycle of the insurance contract

Source: adapted from IAIS (2015) by Martina Wiedmaier-Pfister 2016

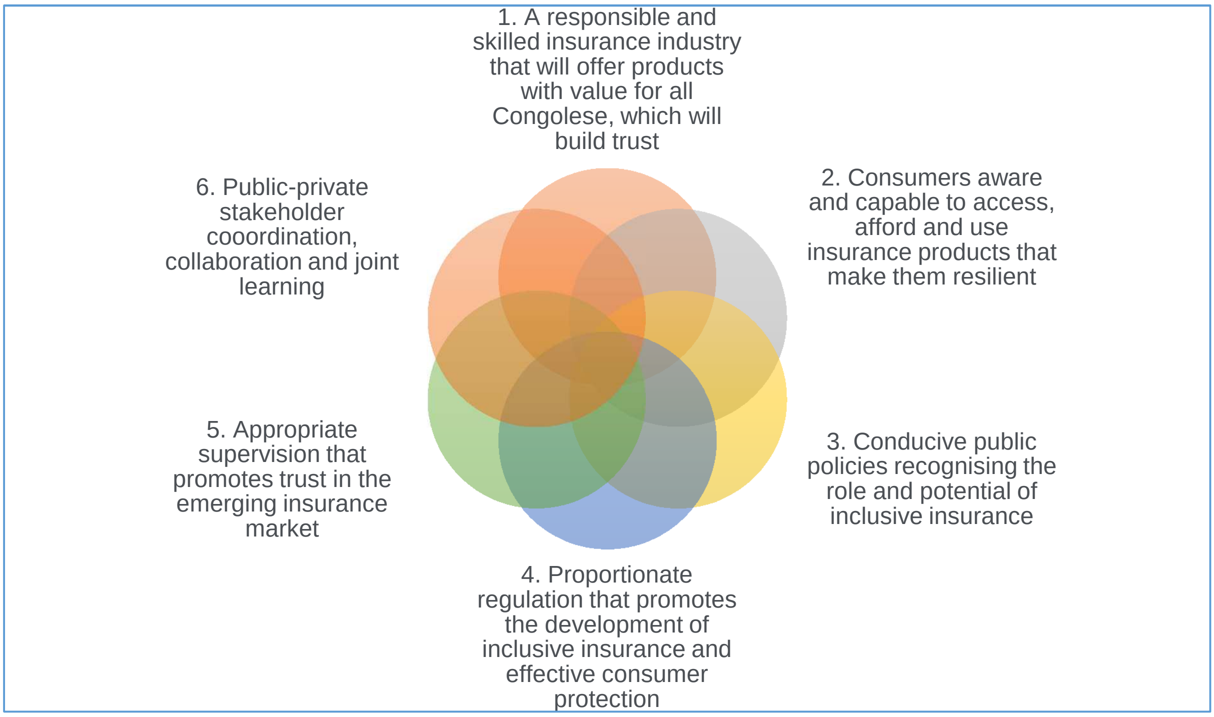
The emerging insurance market in the DRC requires a coordinated public and private sector stakeholders' engagement. Engaging both public and private stakeholders in the process of building necessary structures and capacities for insurance market development in the DRC requires a well-planned and coordinated approach in order to be highly efficient. Broad-based motivation and financial and technical support is needed. Insurers may be reluctant to start with a difficult, risky, and uninformed client segment such as the low-income segment or MSMEs.

Motivation and support for inclusive insurance is required: In many markets, insurers become engaged in inclusion when competition has reached a tipping point. The nascent insurance sector in the DRC is far from showing any signs of competition, which is unfavourable for inclusive insurance market development. Insurers cannot be expected to start with a difficult, risky, and uninformed client segment such as the low-income segment, or start with serving MSMEs. Therefore, comprehensive support is required by government and development cooperation to motivate and enable the industry to provide inclusive insurance. It is important to leverage contributions from the various international development agencies, foundations and investors engaged in financial sector development and related fields such as private sector development.

Six strategic points are proposed: Inclusive insurance market development in the DRC should tackle six aspects simultaneously, which are crucial to deal with the many challenges restricting the demand and take-up, supply and enabling environment of inclusive insurance in the DRC. Stakeholders can take a comprehensive approach along the six core strategies proposed by the study. These strategies focus on a holistic approach to insurance sector development as part of the financial system (industry comprised by providers and supporting organisations like associations and training institutes, enabling environment) while also dealing with the clients.[176] Figure 5 presents the overview of these six areas:

[176] Strategy Security at little cost. Microinsurance in Financial Systems Development, BMZ Position Paper Microinsurance, BMZ 2009

Figure 5: Six strategic points for implementation support



Source: developed by Andrea Camargo 2016

The following chapters provide examples of key themes and entry points for stakeholder engagements.

Each chapter also includes a table outlining proposed activities for the ELAN and Essor programmes. These activities are examples of what engagement from international development stakeholders could be. The proposed contributions are intended to be a base in a multi-stakeholder process of inclusive insurance market development. The details of the implementation of these activities will however need to be agreed with relevant public or private sector counterparts and in the framework of the Inclusive Insurance Committee. Importantly, other contributions of international agencies and government will be crucial for efficient sector development.

6.3 Strategy 1 - A responsible and skilled insurance industry

6.3.1 The potential market and opportunities for insurers

An estimated initial 350,000 inclusive insurance clients - small businesses or individual clients are anticipated within three years of liberalisation. In the DRC, bank and MFI clients are the most promising clientele for insurance. Experiences from other African countries, including Nigeria, suggest that MFIs are an efficient distribution channel; however, not all MFIs are willing to offer insurance products. Banks may continue to concentrate on the higher income segments. This could be also the case in the DRC, given the lack of competition in the financial sector, and also, the often weak capacities and skills of MFIs. The largest potential growth may nevertheless come through financial institutions as distribution channels, and through mandatory insurance products recognised by the Insurance Code. Additionally, some employers may contract group insurance for their employees. The 350,000 potential insured clients are calculated as follows**:**

- 200,000 bank, MFI and SACCO bank clients that are already borrowers with those that are solvent and have adequate capital;

- 100,000 clients from the 1.6 active mobile money users; and
- 50,000 people covered by group insurance, for example employer-based schemes of large mines, MSMEs, or other group insurance where an association, health mutual or SACCO or any other aggregator administers the group policy.

The potential market over the next 10 years is significantly larger. Before market development has even started, it is difficult to estimate the future market in inclusive insurance. However, based on market experience from other countries within Africa, over a 10 years period millions of Congolese have the potential to be served with client centric products. That is, if a small number of insurers is committed to inclusive insurance, and they engage in developing SUAVE products (see Box 7), manage effective business partnerships, use a modern technology-based approach to distribution and maintain a vibrant dialogue with the regulator ARCA.

Box 7: SUAVE (Simple, Understood, Accessible, Valuable and Efficient) product criteria in short[177]

- An insurance policy that has clear terms and conditions may not be only displayed on the mobile phone.
- A product that is easy to handle and explain should have a short and clearly written policy document.
- Sales and servicing needs to be proximate to the client and performed by a trusted person or organisation, and have a face-to-face communication element.
- The risks covered are relevant when the cover is appropriate for the consumer profile, e.g. to female health related risks or business risks related to a specific sector.
- Appropriate priced for the premium paying capacity of the customer means premiums that are in the price range few USD per month.

Some of the new insurance companies can be anticipated to embark on an inclusive insurance agenda. Several of the insurance companies that are expected be licensed are believed to intend to look to develop products and commercialisation partnerships with a focus on inclusive insurance. While precise details are difficult to establish investors indicated that some companies focused on serving retail consumers and low-income segments in other countries are considering to do so in the DRC. Some leading providers of inclusive insurance in the SSA region are interested in this market.

The Insurance Code allows for the opportunity to set-up a new type of member-based insurer, the insurance mutual. Insurance mutuals can be an important method of formalising informal providers and risk pooling schemes from groups like cooperatives, health mutuals or employer-based schemes. However, such a member-based provider type would need to be built from scratch with considerable investments in improving their technical capacities, and setting up sound governance and organisational structures, which requires drivers for such an investment. In the Philippines, the MFIs were this driving force for setting up most of the 22 Microinsurance Mutual Benefit Associations, which as of 2014 catering life-insurance to almost 4 million members and their family members, altogether 7 million insured individuals, see Also Annex 9.[178]

Globally, insurance mutuals are gaining traction. The key feature of a mutual is that it is run for the benefit of member-owners, and not outside investors. The global insurance market share held by cooperatives and mutuals has grown during the same period, from 23.7% in 2007 to 27.0% in 2015).[179]

[177] IAIS 2015; Doing the Math' with Property Insurance in Ghana, in: MILK Brief, no. 10, Microinsurance Centre 2012
[178] RFPI 2015
[179] https://www.icmif.org/icmif

At the global level, mutuals are experiencing a revival following significant retrenchment in the late 20th century.[180] Some countries are looking at ways to foster mutuality through proportionality in applying regulations as well as allowing innovative mutual-specific capital instruments (see Box 8).

Box 8: Strategic considerations on Insurance Mutuals in the DRC work

Definition: In this note the term mutual is used for mutuals, co-operatives and community based organisations. "At their core, all mutuals operate for the benefit of their members rather than outside shareholders" [181] 182 Mutuals cover 26% of the insurance market globally.[183]

Products offered: The products selected are based on input from the membership base. As democratic institutions, there are usually some mechanisms utilised to hear what members' desire as products. Those products are refined over the years based on those mechanisms. The value of the mutual is that they, in theory, listen to members' needs and implement products that can be viable for the whole membership. In practice, it is often the Board of Directors who decides about the way forward for any changes.

Institutional issues:

- Regulators prefer a Board of Directors with a variety of professional skills, Mutuals' tend to elect Board members among themselves. This process creates a strong organisation that listens to member's needs, however there may be a lack of skills at Board level.
- Mutuals may be small with a lack of management skills, support to develop these skills will make mutuals stronger.
- Due to their size, mutuals may not be able to invest in technology to improve services, this may be overcome with a federation of mutuals working together.

Country examples:

- The amount of Capital for the risk taken may be low. In the **Philippines this was solved for the Microinsurance Mutual Benefit Associations** by asking for 5% additional premium, until the capital reached levels that are prudent under risk based capital calculations.
- Regulators must be attentive to this sector and ensure regulations are proportional to the risk of the mutuals. Here is an example of the proportional capital requirements for **Microinsurance Mutuals in the CIMA** region are. See also Table 11: Mutuals: USD 4,920,000; and a MI company: USD 790,000 (CFA 500,000,000), and a MI mutual: USD 474,000,000 (CFA 300,000,000)
- In many countries a federation of the smaller mutuals is set up to help improve the collective strength of each member. For example the *health mutuals* in **Rwanda** set up a central organisation to provide capacity building.

Federation structure: Mutuals are usually organised in a federation structure.
In the **Philippines an apex organization called RIMANSI** was set up, with support from the Canadian Co-operative Association. It was an organisation where members (the MI-MBA) could purchase services for their MI-Mutual Benefit Association. Services provided where all aspects required to operate an MI-MBA, business planning, IT systems to manage the MI-MBA, pricing, etc. RIMANSI was instrumental in providing the management strength needed for these type of MBAs to be strong operators in the market.

Some countries in SAA have insurance mutuals in their markets, which may appear in various forms:

- Many of them are health mutuals. During the years 2000 to 2007, they had an exchange platform called "*La Concertacion*" and also, had gotten support from international cooperation. The products offered where primary health care, the premium was developed together with the community by understanding

[180] Swiss Re 2016
[181] Swiss Re 2016
[182] Swiss Re 2016
[183] Swiss Re 2016

behaviour and utilisation. In most cases mutuals stayed at very small scale. One mutual, "Saving for Health" in Uganda, changed the product to a saving fund to be used at approved health institutions, if a member required more funds they could borrow from the mutual but must pay back within 6 months. At the time, most of the mutual where supported by external organisations, however they are viewed as weak in management, the boards too hands on, no ability to pool risk. The weakness could have improved with a common management system and training.

- Other mutual providers concentrate on life risks or funeral expenses, among them the Friendly Societies of South Africa: below a certain threshold, they are exempted to register as insurer, namely when the value of the policy benefits does not exceed ZAR 7,500 (approximately USD 500) per member (FinMark Trust 2013).

Potential for Insurance Mutuals in the DRC?

- Health mutuals came about by demand from a group of people. They are meeting some of the population's needs. However, many of them are rather small and do not have the potential to mobilise the required capital or establish an organisational structure complying with the Insurance Code.
- In principle, mutuals are close to the population, often the low-income segment, are innovators in products and can provide examples to the rest of the market in meeting needs of the population. In any case, organisations that listen to members needs and invest in their own organisational capacities, have a stronger probability of being viable, with good management, board structure and governance.
- Mutuals in the DRC can be strengthened with a program to build capacity in critical areas of governance, management skills and technology.

Source: Mutual insurance in the 21st Century - back to the future? Swiss Re 2016; author Denis Garand, one of the drafters of the IAIS Application paper on Mutuals, Co-operatives and Community based organizations, to be adopted in 2017

6.3.2 Distribution opportunities

The most promising distribution channels for inclusive insurance in the DRC are in the financial sector. Distribution is the most crucial element in microinsurance. Across the globe, MFIs were the most common channel, today mass-market channels have taken over in many countries. In the formal financial sector of the DRC, the most promising distribution opportunities include banks, MFIs and the EMIs. Even though trust in formal FIs is generally said to be low,[184] they are still the preferred channel because they aggregate existing "banked" clients. Importantly, FIs can add insurance to their other products, which makes sales and servicing much easier. As per the mission interviews, some of the banks and MFIs are considering to enter business partnerships with new market entrant insurance companies.

A core element of a distribution partnership is effective sales persons training and controls. Effective training of sales staff is crucial to ensure clients understand what they purchase, what to do in case of a claim and where to claim. As MFIs and banks can be expected to be trusted intermediaries, so are the agents they manage, however, they need to be properly trained and controlled. The potential of agent banking for insurance distribution needs to be further explored. In the DRC, there is a debate that for the time being banking agents may be overwhelmed with selling insurance even if products were simple. Notably, at least one large MFI is running a banking agent network: it has 750 agents across the country.[185] However, it will be a challenge to allow banking agents to sell insurance and if they do, they should only be allowed to sell simple products because of the required training and to avoid mis-selling or weak advice.

[184] MAP 2015
[185] http://www.finca.org/blogs/going-further-the-next-steps-for-agency-banking/

There is potential for mobile insurance in the DRC. The 1.6 million active users (30 day active) of mobile money out of the 12.2 million EMI clients are the primary target group for inclusive insurance, according to the EMIs interviewed. The secondary target group are mobile phone subscribers, namely 22 million individuals. However, those regions in the DRC which are not covered by mobile phone services networks (20% of the regions) or the 50% of the population do not access mobile phone services will remain excluded from mobile insurance.

6.3.3 Product opportunities

Credit life products are a quick-win and effective entry strategy that provides the basis for enhancing insurance penetration. Credit life products offered as compulsory insurance as a rider[186] on a loan is an important entry strategy, which is supported by the Insurance Code. It is a starting point for more sophisticated products with greater value for the client over time. An emerging microinsurance sector generally starts with life and credit life; then adds other benefits and products features like an accident ”rider” or hospitalisation cover.

Some products are unlikely to be initially provided in the DRC market. Due to the newness of market participants, some products may take time to develop in an emerging market. Among those are pension and agricultural insurance products, or complex products for MSMEs. Furthermore, full health coverage such as inpatient and outpatient products require IT systems and skills to be in place to establish links to health service providers to manage claims, fraud prevention, administration and provision of quality services. These products entail experience with microinsurance and are complex to develop and implement. Hence, they are likely to only be implemented when the market has evolved, there is financial stability for pensions and there is reinsurance available for agriculture. Simpler products have a higher chance of success (i.e.) credit life, and accident cover.

Products and especially pricing need to be adapted to the DRC context. Examples from other markets can only inspire product design. The data for calculating the risks of clients (such as mortality and morbidity, loss of assets, etc.) in the DRC needs to be calculated based on country specific risk profiles. Risk calculating and hence, pricing is possible based on data that is reasonably close to available data. In this case, very active monitoring of results is important. Price depends on the risk, the distribution system and the overall management of the product. Understanding these dynamics is very important.

Bundled products sold with another product or service are easier to sell. Clients’ willingness to regularly pay insurance premium depends on the way in which the product is offered. In emerging markets, microinsurance works when offered either on the back of another financial or other service such as a loan, a payment, savings, or airtime.

Meso level insurance products can provide an innovative mechanism to promote access to insurance in the country.[187] Providing insurance to entities that offer key services to the low-income segments of the population or to MSMEs could be an initial stage to indirectly offer them protection. Even though the financial sector remains shallow and underdeveloped, offering insurance products to financial institutions that will cover their portfolio and hence reduce their risk could help them to be stronger. It may also provide them with more capacity to provide direct products to their clients and increase their overall product portfolio, including insurance.

[186] A **rider** in an insurance policy is an additional coverage element to the main risk covered, for example, a life insurance policy can have a rider that if the policyholder is disabled, premiums will be paid by the insurer.
[187] **Meso level insurance** covers the entire MFI and its loan portfolio, for example against catastrophe risk, not the individual borrowers.

6.3.4 Recommendations for the industry

Transfer expertise on good practice in inclusive insurance developed elsewhere. Many jurisdictions have embarked on a process of inclusive insurance market development. In the African region, Ghana, or the Philippines in Asia, can inspire inclusive insurance market development in the DRC. The fact that regional integration is on the policy agenda will facilitate this process between SSA countries. Among the good practices these countries have developed are for example:

- Selling insurance linked with another financial service or other services; such as a loan, a leasing product, a savings account, an e-payment, or airtime;
- Having trusted distribution systems and allowing a variety of ways to reach clients from technology-based to face-to-face sales;
- Providing high claims ratios while maintaining low expense ratios to ensure products provide value to clients and can be provided sustainably;
- Improving the capacity of providers and distribution systems e.g. by sector dialogues, joint trainings, technical working groups and research on topics such as “consumer awareness” or “demand features of women-owned MSMEs”;
- Enhancing dialogue with the insurance supervisor and other authorities about proportional regulation that will draw in motivated providers, but avoid onerous regulations.

Regional bodies such as SADC and CIMA could facilitate this process by peer-exchanges, but also regional insurers organisations such as the African Insurance Organisation (AIO); the West African Insurance Companies Association (WAICA); the FANAF and Globus, could be also helpful.

Box 9 provides information on some other countries that embarked on a market development process.

Box 9: About Inclusive Insurance Market Development

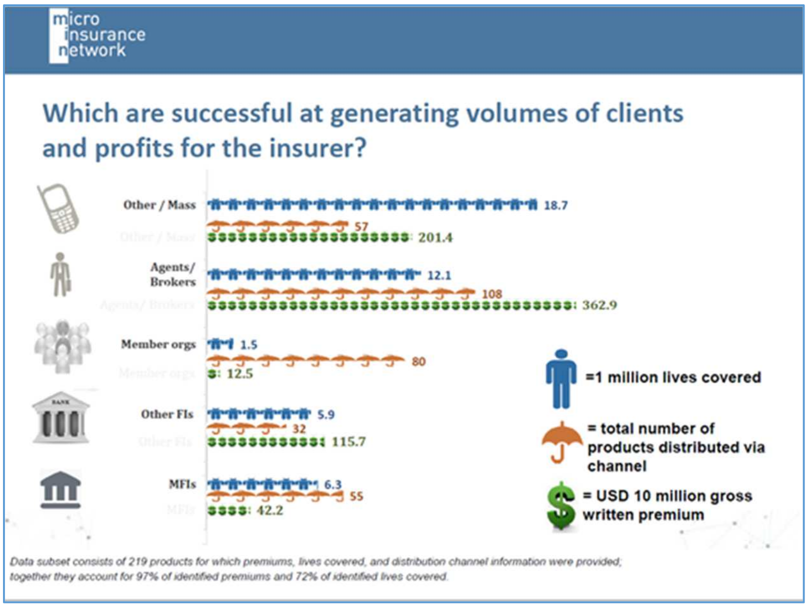
Global experience has shown that if insurance is oriented to the risks and needs of people and MSMEs, and is provided by trusted insurers and distribution channels, low-income people have a high propensity to insurance. Many jurisdictions have implemented microinsurance market development processes, among those: Ghana, Peru, Pakistan, Kenya and The Philippines. Ghana started to study microinsurance in 2008, and adopted a microinsurance regulation in 2013. As of 2015, there were 7.5 million insured lives and properties, 13 microinsurance providers and 27 microinsurance product on the market. Mobile insurance has a considerable share of the market.[188]

Microinsurance Mutuals played a champion role in microinsurance market development in the Philippines. The evolution of a microinsurance market in life insurance can be illustrated by the example of the Philippines. Starting with insurance made compulsory by the MFIs, different types of providers have emerged. The “Microinsurance Mutual Benefit Associations (MI-MBAs)” have been champions in providing microinsurance to MFI clients for the last decade. Since a microinsurance regulation was passed in 2006, MFIs have been setting up such entities. This market has also benefitted from a variety of national strategies dedicated to microinsurance, multi-stakeholder engagement and strong government support, complemented with several international development agencies supporting sector development. As of end 2015, the Philippines accounted for 30 million lives insured of a population of 100 million (see Annex 9).[189]

[188] The landscape of microinsurance in Ghana, 2015. Supply and Demand Side report, NIC 2015
[189] RFPI 2015

Leverage the potential of mass market distributors. Mass marketers such as retailers and MNOs, and agents/brokers dominate distribution options for microinsurance in Africa. As Figure 6 shows, of the total 44.5 million insured, mass market channels account for 18.7 million lives, followed by agents and brokers with 12.1 million lives.[190] These figures include the MNOs and the TSPs collaborating with them. In the DRC the three EMIs are potential candidates for partnerships between insurers and MNOs/EMIs, probably supported by a TSP (see Box 10). These figures show the vast potential of this distributors, and again, given that regional integration is a policy priority, it is likely to expect that this will be an enabler.

Figure 6: Which distribution models generate volume in microinsurance?



Source: MIN Expert Forum 3 on Distribution, 14.0.2016, based on Landscape Study Africa 2015

Support the capacities of insurers and distribution partners to provide mobile insurance. Insurers and distribution channels need support on how mobile insurance works. Specialised TSPs, some of which are licensed as distribution channels, can help to advance mobile insurance structure partnerships between MNOs or mobile money providers and insurers. In several markets across the globe, and in quite a number in Africa, TSPs specialised on mobile insurance have been playing an important role in structuring and implementing these business partnerships (see Box 10).[191]

[190] Microinsurance Network 2015

[191] MicroEnsure and BIMA are the most active TSPs in Africa, operating e.g. in Nigeria, Kenia, Senegal, Ghana, Tanzania and Uganda, as well as in other regions of the world. http://microensure.com/locations/ http://www.bimamobile.com/about-bima/where-we-operate/

Box 10: Mobile insurance products and distribution[192]

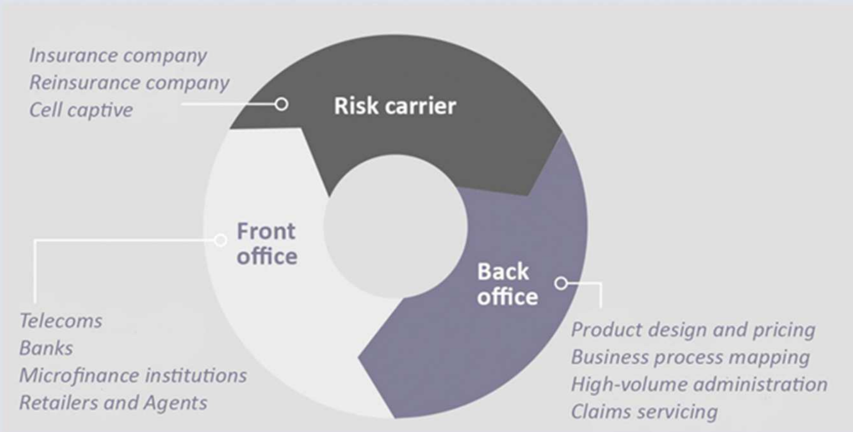
Mobile (micro) insurance is for the low-income and excluded. As experience in other African markets and Asia has shown, mobile insurance reaches the low-income and new-to-insurance consumers. A survey in 5 markets has shown that 97% of their clients live below 10 USD per person per day, and of those, 77% never previously had any insurance.[193]

According to Swiss Re, SSA is the largest mobile microinsurance market. SSA has taken the lead in insurance distribution via basic mobile phones. Of the 100 microinsurance, products measured by the GSMA 54% are found in in SSA. Schemes in some countries show very rapid growth rates.

Life and funeral dominate. Typical mobile insurance products showing successes in other African countries are life or funeral cover and hospital cash.[194] In Ghana, mobile insurance accounts for 4.34 million insured in 2014. Mobile insurance has been provided via strategic partnerships between insurers and MNOs. Mobile insurance accounted for 58% of the total microinsurance coverage for properties and lives; within two years, microinsurance coverage in Ghana grew from 1.8 million in 2012 to 3.1 million in 2013, and 7.5 million in 2014.

Specialised technology services providers have helped to grow mobile insurance in other markets. The distribution of mobile insurance via the MNOs and their e-money subsidiaries has helped to develop several markets in other African countries. The TSPs have emerged to develop business models using the mobile phone and mobile payment platforms, and engaged in developing products and offering back-office functions such as enrolment and claims administration. They have structured numerous partnerships between insurers and MNOs, thereby generating large volumes of mobile insurance business. The requirement for them to enter a country is a flexible regulator and committed and innovative insurers.

TSPs can support a wide range of functions in the business partnership between the MNO or EMI and the insurer. The TSP helps to arrange the commercialisation partnership between the risk carrier (=insurer), set up the technology platform, and to develop and market products, including pricing. A TSP also supports servicing at the front office) e.g. enrolment, payments, client information) and back-office administration see below).



Source:

Distribution via mobiles has clear advantages. It can make insurance more affordable, enable shorter-term contracts and more frequent premium collection, and support process that otherwise may be more costly or cumbersome such as premium reminders, or claims payments.

Mobile money providers have advantages for inclusive insurance distribution. The EMI can collect insurance payments at low cost - an important element in microinsurance business. Another advantage is that they have a growing client database and have existing sales structures that can be leveraged.

[192] NIC 2015, BMZ 2015
[193] Mobile Insurance distribution in emerging markets: African innovations spreading globally, SwissRe 2015
[194] Microinsurance Network 2015

Despite the opportunities, mobile insurance comes with challenges and risks. Among the main challenges is the effectiveness of disclosure of policy information to the client. They may not know that they are covered, or where and how to claim. An SMS based contract and such policy terms may be insufficient to ensure consumer awareness. Such clients may not check the terms of the policy on a website. There is the risk that the mobile insurance products offered do not provide much value. A low claims ratio will be an indicator of such a situation. There is also the risk that the distribution partnership fails due to miss-aligned interests.[195]

Replicate microinsurance products successful in other markets. Some microinsurance products or mobile insurance offered in other African markets can be replicated in a nascent market such as in the DRC**.** Regional dialogue and integration will be key to achieve that goal Annex 5 provides examples of microinsurance and mobile insurance products that could be marketed in the DRC with some adaptations to the market.

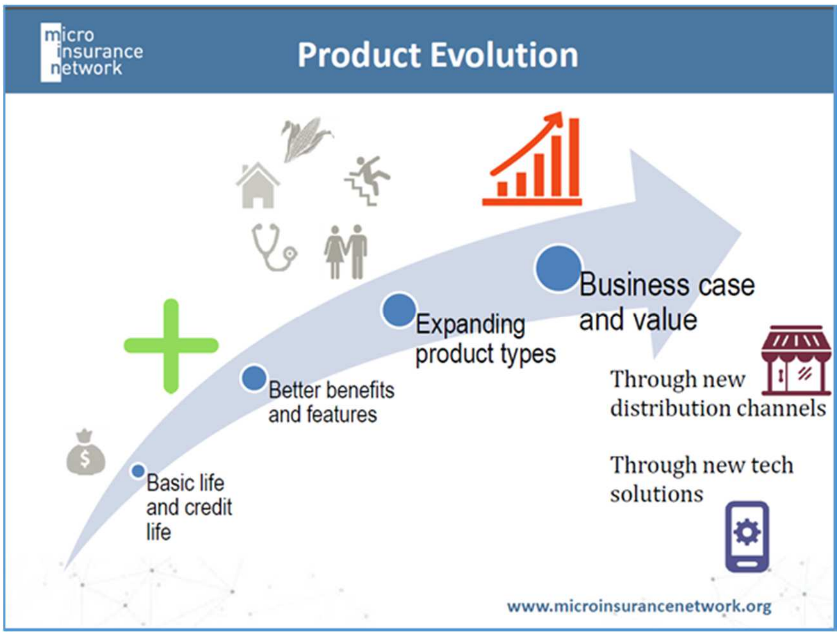
- **Credit life products:** These cover the mortality risk of the borrower. The bank or MFI figures as the master policyholder. Notably, group policies are not "distributed" legally, the group administrator is the policyholder but not an intermediary.
- **Credit life plus**: These offer a fixed benefit payment to the family in addition to paying a loan or covering the spouse.
- **Multiple risk products:** These are bundled products where life and non-life risks are offered in one policy, covering the insured and his/her assets (e.g. against risks of fire, catastrophic loss).
- **Simple endowment products:**[196] These savings-based insurance contracts are designed to have high value paying back parts of their invested funds (minus the risk component) to the client for periods of 3 to 5 years. For the inclusive insurance market, a product developed with low commission of less than 5% of premium is required to ensure value back to clients.

Notable, the Insurance Code is favourable for product development:

- **The Insurance Code promotes mandatory and credit-linked insurance products.** These products are effectively the first opportunity for Congolese to have an experience with insurance products in a liberalised market. Forging and maintaining the public's trust is essential. Therefore, particular care needs to be exercised when designing and offering these products, customers need to see value and treated fairly.
- **Bundling life and non-life insurance products is another opportunity.** The possibility of insurers to offer life and non-life products is an opportunity as it allows insurers to offer bundled covers that can be more relevant and appropriate for consumers. Evidence shows that low-income and other people prefer to buy an insurance "package" that covers different risks for a fair price.

[195] Quels cadres de contrôle face aux risques de l'assurance mobile pour les consommateurs ?, A2ii Nov. 2015
[196] An **endowment product** is a life insurance product with an additional savings component.

Figure 7: A vision for product evolution



Source: MIN Expert Forum 1 on Products, 3.3.2016, based on Landscape Study Africa 2015

Support the development of group policies.[197] Group policies help to reach out to people and enterprises linked to a group. In the DRC, these may include financial service provider clients, where the MPH is a bank, MFIs or SACCO, any other group administrator such as an employer (the employees of a bank, and or a large mining enterprise in the east of the country) or the SME members of a business association. Group policies help to lower the costs of policy administration. The risk is calculated on a group basis, which also lowers cost. Group policies are an important approach in inclusive insurance, hence, should be promoted. It is positive that the regulation provides specific rules for them. However, it is important to keep in consideration the need to protect effectively insured parties so they are aware of their rights and obligations, for instance by providing group members with clear individual certificates and by addressing them with insurance education.

Insurers in collaboration with lenders should start to offer credit life products. Credit life insurance is the best entry point to reach the population and helps the insurance industry develop the capacities in inclusive insurance, a new business in the DRC. Having an Insurance Code that supports these type of products is positive. Insurers should take advantage of this, but in a responsible way because this will be probably the first contact of most of the Congolese to (formal) insurance. Building on that first step allows the use of trusted distribution channels with other simple products that meet needs of clients such as hospital cash products and some bundling of multi-risk products (life, assets, health), see Box 11.

[197] **Group policies** ensure members who form a group for other purposes and have a common bond. . He signs the insurance policy for the group.The contract is between the insurer and a master policyholder (MPH), who issues certificates to group members and administers the group policy. The MPH is not an agent. The terms of the product are identical for each group member . Examples of such policies include the clients of NGOs, MFIs and members of self-help groups, where the MPH can be a NGO, an employer or a SACCO.

Box 11: Strategic considerations to make MSME insurance work and credit life work

Product example 1 – coverages for life, accident and simple health as employer-based group insurance

- **Insurers (any type, commercial, cooperative or mutual):** Develop a package of several risk coverages to meet the priority needs of the MSME client base (individuals and enterprises). Ensure service standards are developed and monitored for satisfactory performance.
- **Distribution**: Marketed to end clients via industry associations, and larger employers, who act as aggregator. As the market develops, reach out to smaller employers. Brokers may help to reach many employers.
- **Products:** In Phase 1, life insurance for employees, also, accident insurance, or hospital cash and health insurance would be of interest to employees. In Phase 2, pension type products may be of interest at a later stage as the country financial system stabilizes. Further, insuring business risks such as fire, thief, liability and others coverages may be required but only feasible at a later stage, when MSMEs have certain experiences, and insurers are well established. Theft insurance may not be feasible at all; here, other protection mechanisms or incentives should be considered (e.g. locks, guard).
- **Why develop these products**: Employers do have business risks that they would want to cover; some employers may want to provide employee benefits such as life insurance and health insurance. There should be a demand for this product. Furthermore, companies in liberalized markets are generally willing to reach this target market, as the employer may ensure premium payment.
- **Examples from countries:** India liberalized its market at the turn of the century. Commercial insurers were able to gain a large share of the existing market for insurance to employers as well as expand the overall market. For MSME there are not many examples of insurers reaching that market at first, in a new market setting, however, overtime insurers have shown interested in offering products.
- **Viability:** Commercial insurance has developed such products in other emerging markets. In India it took several years for operations to become profitable. It is normal when launching a new company for profitability to follow, only after several years. The strain on results in a new market are the cost of developing new products, cost of reaching new markets and other operational start-up cost such as marketing, training for staff and channel staff and IT solutions.
- **Additional components to leverage MSME insurance :** Educate MSME in insurance topics and usage
  - Selecting risk coverages, train MSMEs in insurance on their roles and responsibilities; steps in the insurance process; benefits of insurance products; process to follow to get claims paid
  - Education on preventive measures and risk mitigation to ensure insurance coverage is affordable.

Product Example 2: Credit Life as emerging market product (from Cambodia and Timor Leste, emerging markets)

- **Insurer**: Sold by insurance companies, mutuals or co-operatives, who have developed knowledge on product implementation and payments to clients. The insurance company would price the product, provide training to the MFI on all task and monitor results. There is the possibility of adding an additional small amount of life insurance coverage.
- **Insurers' tasks:** develops procedures to enrol clients, gathers the optimum information on client base, develops communication information on benefits, has effective premium collection systems, understands how to price products and researches future opportunities to expand product to client base.
- **Distribution:** via MFI's after signing a Memorandum of Understanding outlining the responsibilities of both parties. The MFI would have the task of collect basic client data, transmitting the information to the insurance company, communicating the benefits to clients, explaining and assisting families in collecting the benefits, training staff to ensure product is understood. The MFI would make the product mandatory to clients on all loans.

Product options:

- **Basic Credit Life**: pays out the original sum insured which is the loan amount if the client or spouse dies. If part of the loan has been paid back in parts the beneficiary/family receives the difference of the original sum insured less the outstanding loan.

- **Credit life plus**: Borrower is offered the option of buying a fixed amount of additional insurance at the time of getting the loan, in that case the coverage is the initial loan amount.

o Assessment: This product is the easiest for any insurer to do. In new emerging markets such as the DRC there is a lack of skills, data and knowledge of insurance. This very basic product helps develop communication skills, develops a database and monitoring skills to follow the product. The initial pricing can be done with population data and discussions of the MFI on their understanding of number of deaths from the client base.

This basic product was the original product of many insurance companies, it provides predictable premium and claims and therefore sustainability. Most companies use it to build information to expand product scope, markets and overall skills.

Source: developed by Denis Garand

Support the development of capacities, skills and systems in the industry. The insurance industry should be motivated and trained to offer good products and effective services that are meaningful and valued by the consumers. The following principles should be followed and measures implemented:

- **Draw on regional stakeholders and fora to develop industry skills.** Stakeholders that can bring know-how to the DRC are reinsurers, notably reinsurers from the region (such as Africa Re[198], CICA Re[199], Zep Re (PTA Reinsurance Company)[200] and WAICA Re[201]). In addition, regional insurance associations could play an important role. Amongst them are the AIO; the WAICA; the FANAF and Globus. The future DRC insurance association should become a member of the various regional associations of insurers to benefit from their peer-exchanges and be a catalyser of capacity building /skills. The national stakeholders should be actively involved in the regional peer-to-peer dialogues that are seeking to develop regional integration and development from the perspective of inclusive insurance markets. Inclusion is becoming a predominant topic in many of the regional debates.

- **Sensitise and build the capacity of insurance company's management and staff on inclusive insurance business models.** Topics may include implementing "a client centric approach" related to product development and servicing and market research to understand the inclusive insurance consumer. Insurers also need to build their capacities to structure commercial partnerships.

- **Train distribution channel partners.** Distributors should train their management staff, agents and sales force on the abovementioned topics. Insurance company partners can provide training to distributors; however, the channel's management and key personnel should understand how to target the inclusive insurance market. Front-line staff need training on the new products and sales culture that is adapted to their target client. Due to the new market, the sales force themselves need to develop a full understanding of the concept of insurance and the products they are selling.

- **Train insurers in product development to ensure microinsurance and SUAVE mobile insurance products (see Box 7).** Notably, products should not simply be copied and pasted from other markets. They need to be tailored to the DRC market and adapted to the regional differences, the local culture, and to the risk structures in different segments of the market.

  - **It is positive that the regulation provides that the term and conditions must be simple and transparent, making sure that consumers understand the product and how to use it**. Such recognition will facilitate insurers to innovate and ensure that contractual documents are simple. In addition, applicable procedures can be efficient like enrolment

[198] Africa Re has a mandate to support the growth of Africa's insurance industry.
[199] CICA Re is the CIMA common reinsurance company.
[200] Created in the context of the Common Market for Eastern and Southern Africa (COMESA).
[201] Created by the West African Insurance Companies Association (WAICA).

and in case of a claim, pay-out. In that respect, it is positive that the AML/CFT regulation provides proportionality for the compliance of KYC requirements when transactions are below a certain threshold, an incentive that will reduce costs for insurers.

- **However, the regulation is not appropriate in respect of complaints, and this can impact the fragile trust of consumers in insurance.** Therefore, it is recommended that the industry agrees on simple, transparent and efficient deadlines and processes to do settle complaints if they want to create loyalty by consumers and increase their market size over the years. An additional element is accessibility, which entails affordability: products should have a low level of premium and premium payment deadlines should be made are consistent with the limitations and particularities of the target market. Considerations regarding the irregularity of peoples' incomes are key. In this respect, the Insurance Code does not recognises grace periods but it is recommended that the industry analyses the feasibility of adopting a more lenient approach.

- **Industry should implement a client-centric approach.** Sound product features and service culture is crucial for serving new-to-insurance consumers. Client centricity implies that insurance companies and distributors structure their products and operate their business based on the principles of good business conduct. This refers to the way they develop and structure their products and operate their business: presenting the results of client-centred research in trainings, incentives for take-up and renewals and the right content and delivery mode to ensure product transparency. Staff and sales people need to understand the relevance of client centricity to sustain their business. What a market derives to scale is service, even with "compulsory"[202] products. Training for insurers and distributers should include the importance of client-centricity.

- **Organise advocacy activities and trainings on inclusive insurance topics including:** market research to deepen the understanding of client behaviours and need; good business models; the core aspects of the Insurance Code. The training should be offered to all stakeholders (including supervisors) and the insurers' association should be the leader to organise such activities with the support of international organisations and standard setting bodies.

- **Understanding the target group and segments as a basis for product development**. Deeper demand-side research is needed, for instance to assess what the public in general, and microinsurance consumers specifically, need to learn regarding risks and the use of insurance. Overall demand research should focus on certain segments, such as MSMEs, women-owned MSMEs, loan recipients or families that have saving accounts. This kind of research could be implemented as a sector initiative under the Financial Inclusion Strategy. This is for instance the case in Colombia, where studies aiming to understand the need of the low-income segment of the population have been produced with the support of the Bank of the Opportunities, a governmental entity leading the financial inclusion agenda in the country jointly with the supervisory authority. Insurers should implement market research to build product development based on sound information.

Foster leadership at the insurance industry level: Collaboration is required between stakeholders from the industry who are committed to target the low-income market segment including MSMEs. It is needed to have champions of inclusive insurance within the industry but also within the other stakeholders, such as ARCA, MoF, etc.

[202] Compulsory means here not by law but by a lender.

- Insurers and distribution channels should establish a “coalition for inclusion”, with the objective to jointly address the target market and business related topics but also issues related to inclusive insurance regulation and supervision.
- An insurance industry association should be established and support inclusive insurance training and other capacity building activities. The industry association should seek to collaborate with other financial sector associations, for example the banking association ACB, the MFI association ANMIF, and the two associations of SACCOs, but also MSME associations should engage in promoting inclusive insurance and building their know-how and support services, as their members are potential distribution channels, or clients of group insurance. Associations can jointly create synergies.

6.3.5 Industry self-regulation

Study the potential of self-regulation. It is essential that consumers have an independent individual or body that can represent him or her, provide advice and solve complaints. The same individual or body can accomplish all these functions or different entities, bodies or individuals could carry some of them. Given the early development stage of the insurance market in the DRC and the lack of development regarding the existence of bodies or individuals that could accomplish the activities mentioned above in the DRC it is urgent to implement a feasible industry-driven solution. Insurers and the association should be knowledgeable about the potential of self-regulation and study respective options.

Creation of customer care departments in each licensed company. All licensed risk carriers should have an internal department responsible for consumer relations with a hotline number that should be free of charge. The customer team will receive appropriate treatment on how to solve complaints, how to refer a case to the relevant departments, present the alternatives available to consumers and more broadly on how to treat customers fairly.

Adoption of the “insurance ombudsman” in the context of the insurers association. It is recommended that initially, the insurance association creates an “insurance ombudsman”, an individual who will be selected through a democratic process involving ARCA. The individual will be responsible for analysing complaints as an alternative mechanism to the CIC of ARCA. The ombudsman’s decision is not final and the consumers could also bring their case to the CIC of ARCA. Experiences from Peru and Colombia could be useful to consider during the design of this intervention, so it is recommended to engage in a dialogue with their respective insurance associations.

Integration of industry good practices to treat customers fairly. Technical assistance on this by entities such as A2ii, Consumers International, CGAP, amongst others with the purpose of analysing the feasibility of the adoption of a Code of Conduct to treat customers fairly, with a particular chapter on “inclusive insurance products clients”**.**

Proposals for support by the two DFID programmes shows how international development cooperation can support. The following recommendation tables (Table 17, 18, 19, 20, 23, 24 and 25) set out the proposed support by ELAN and ESSOR. These proposals are yet to be agreed upon with the respective counterparts, and to vet when developing the National Financial Inclusion Strategy (and a potential action plan, as well as the Regulatory Road Map for inclusive insurance proposed).

Table 17: Industry self-regulation - recommendations for ELAN and Essor

Proposed measure	Programme
Collect good practices of “Code of Conduct in Inclusive insurance “ at international level and share them with the insurance association to be set up in the DRC, and foster a regional debate within the SADC and CIMA region.	Essor

Table 18: Improving the capacities of the industry - recommendations for ELAN and Essor

Proposed measures	Programme
Foster capacity building of insurers on topics including product design and actuarial knowledge involving international reinsurers and regional insurers. o Train multipliers about inclusive insurance and its impact for economic growth and sustainable development, and on criteria for ‘good’ insurance; o Promote the integration of risk concepts and insurance as topics in the National Financial Inclusion Strategy	Essor
Support the industry association during its launching, and with the organisation of thematic workshops, presenting lessons from other countries on good practices regarding products or regulation in national events; and solving challenges in coordination with the authorities.	Essor
Support product development: o Develop pilot products for microinsurance clients and MSMEs in growth poles o Implement market research for selected MSMEs including women-owned MSMEs on their insurance needs o Identify the features of a client centric approach to product development and service culture of insurers and distribution channels and integrate this into trainings o Identify promising insurance products for MSME insurance that were successful in other emerging insurance markets and organise know-how transfer	ELAN
Support business partnerships: Identify business models that have proven to work with MSMEs; organise a workshop about innovative distribution partnerships, the challenges they will face and good practices from other countries	ELAN

6.4 Strategy 2 - Consumers aware and capable to access, afford and use insurance

6.4.1 Outlook on consumer empowerment

> *Insurance in the DRC is a matter of credibility!*
>
> *Bank Manager*

Instilling trust in insurance is the biggest challenge to developing the insurance market in the DRC. Previous insurance supply, or lack thereof, created a market where the products offered and service quality were absent or very limited. Based on this history and the public’s limited experience with insurance products, there is a lack of trust in the concept of insurance and the providers. The insurance industry needs to rebuild this trust. This will require developing adequate products, efficient and consumer-centric services, speedy claims processing and efficient controls, ensuring the emerging consumer has a choice among various products and receives insurance that meets their needs. The authorities need to issue more detailed regulations, as well as set-up reliable supervisory approaches and ensure consumer protection and transparency in the market. Client centricity should be a principle for stakeholders in their pursuit of building an inclusive insurance market. The focus should be on providing ever-increasing value to the consumer through a continuous improvement process of product development, internal processes and structures, and distribution. A key element is understanding the needs of the low-income consumer.

Certain customer groups are more likely to purchase insurance. All or some of the following factors need to be in place for prospective clients: they should (i) have a sufficient level of income to ensure affordability; (ii) already use financial services and have a certain financial literacy level; and (iii) be affiliated to a group. More specifically, the following approaches can be promising:

- **Target those who can afford insurance.** People in the lower and middle-income brackets can afford small insurance premiums, once they see the benefit of insurance. For example, if a person can invest a monthly premium of e.g. USD 1 (USD 12 annually), this could generate insurance cover of between USD 1,500 – USD 2,000 for a term life insurance policy for someone aged 30, depending on the cost of distribution and other charges. However, in some regions of the DRC, distribution costs of insurance can be quite high, which would result in a much lower benefit amount for the insured individual.

- **Focus on current users of financial services with a certain level of financial literacy**: Current users of other financial services are an important entry point. Insurance can be a rider on other financial service products such as savings, credit, leasing or payments. Insurance may be a determinant for accessing other financial services, such as a loan or a leasing contract. Compared to first-time users of financial services, consumers already using any other financial services are more likely to understand, demand and use insurance.

- **Reach out to individuals and MSMEs affiliated to a group who can be easily enrolled**. People linked to a MNO, an e-payment provider, an association, an employer (e.g. the large mines) or a mutual can be served by group-based insurance(see Footnote 194), are easier to enrol and administer. Furthermore, the risk can be calculated on a group-basis, which makes the insurance coverage per person cheaper than for individual policies.

Individuals and MSMEs should be encouraged to understand and prioritise the risks they face. FGDs consultations indicated that MSME owners most frequently noted theft or accidents of employees as the main risks they face. Notably, the risk of losing the business owner and breadwinner was not identified, as it does not occur that frequently. Furthermore, Focus Group participants mentioned risks that cannot be insured, such as theft from employees or the risk of going bankrupt. People are not aware that insurable risks cannot be too complex, nor can they be too expensive. For example, agricultural insurance is a complex risk and may not be feasible for an emerging insurance market, unless donors and international experts and providers support that process.[203] Or, insuring theft – a much desired product by Focus Group participants - may be too expensive as it is difficult to price, and also, may be prone to insurance fraud (i.e. false claims).

A greater understanding the client’s needs and realities is required. Information shared in the demands assessment provided first insights about MSMEs and their owners. The information from FGD is an entry point for potential insurance products; however, these results cannot be generalised, as there is considerable difference between income classes, professions and regions. Furthermore, the sample of the survey is small (27 from FGD and 20 from Leasing Interviews). An important caveat is that there is often a considerable discrepancy between what people say they need and might want to purchase, and what they actually buy when the moment of signing a contract and regular payment comes.[204] Therefore, more in depth market research is necessary.

Demand for insurance needs to be mobilised in an emerging retail insurance market. There is an absence of microinsurance demand in such a market, with the biggest obstacles being lack of comprehension on what insurance can and cannot do, coupled with mistrust and lack of information of

[203] http://www.microinsurancenetwork.org/microinsurance/key-concepts/insurable-risks-what-microinsurance-should-cover
[204] Microinsurance Centre, The Magical Balance – MILK lessons learned 2012

the client's roles and responsibilities.[205] In general, determinants of demand include personal characteristics, understanding of insurance, trust, the value proposition of the products and the perception of the product, consumers' ability to pay, the use of other risk-coping mechanisms, and behavioural factors that prevent even those who want insurance from purchasing it.[206]

Insurance is only one answer to risk mitigation and complements other preventive measures. People will use (micro) insurance as one of multiple components in a wider strategy to manage the risks they face.[207] Other preventive risk mitigation strategies they may use include fire extenders, locks for theft protection, better vehicle safety, and preventive health measures such as boiling water to avoid illness.

Financial education measures need to incorporate the topic of insurance. In the absence of insurance, financial education measures currently implemented do not incorporate a focus on the concept of insurance nor the range of insurance products and associated risks they can cover. This needs to be addressed in future. Insurance should be incorporated into any financial education programmes. This can be expected to influence behaviour change among prospective individual and MSME clients and contribute to their insurance uptake.

6.4.2 Recommendations for consumer empowerment

Foster insurance education: Consumer education is a consumer right and an integral part of consumer protection. Insurance education is necessary to generate consumer awareness as well as ensure consumer's understand the concept of risk and insurance (or the product), make the right choice, and know how to use insurance. Financial education measures are crucial to leverage take-up. People need to learn about risks and the features of an insurance policy, to have sufficient criteria for choosing appropriate products and compare providers.

Mobilise joint funding for insurance education: Leverage multi-stakeholder investments for financial education by involving a variety of public and private supporters. Funding should come from public and private sources and can be provided in cash or in-kind. Longer-term commitments are imperative, as learning process take long and respective and follow-on measures are needed to create lasting change in the level of insurance literacy in the DRC.

Rely on good practices in insurance education: Prioritise educational measures that can have a real impact. International organisations like the Organisation for Economic Co-operation and Development (OECD), the A2ii and IAIS, or the MIN have been organising learning events on what works in financial and insurance education. Other insurance supervisory have engaged in insurance education measures. Hence, there are some good practices in financial education that were documented by these organisations. For some emerging good practices in insurance education refer to the following lessons (see Box 12). It is further recommended that research on what works for MSMEs in financial and insurance education is conducted to draw on practices in other markets.

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[205] Microinsurance Centre, Landscape of Microinsurance in the World's Poorest Countries, April 2007
[206] Microinsurance Network 2015, ILO 2015 http://www.microinsurancenetwork.org/groups/state-microinsurance
[207] Microinsurance Centre, 2012

Box 12: Financial education for the inclusive insurance client including MSMEs

Emerging Lessons from a Global Dialogue Seminar on Insurance Education in Morocco (2015)[208]

- Relying on a **combination of face-to-face education and general awareness building measures,** and use repetitive measures;
- Focusing on measures that promise quick wins such as **radio campaigns, school curriculum, or integrating education in community-based structures**;
- Implementing educational measures about insurance **alongside other financial education efforts** on the financial sector;
- **Educating a variety of target audiences**, not only the clients and potential clients, but also pupils, students, employees, clients of financial institutions, women's groups, MSME owners and their associations;
- **Monitoring results and assessing the impact** of insurance education measures to understand which measures are generating results;
- Implementing a **combined approach of various measures** aimed at different target audiences; relying on a multi-channel approach because reinforced and repetitive messages have a lasting effect.
- **Considering requiring financial education by legislation** (such as in South Africa and Colombia);
- Ensuring that the **insurance supervisors is directly engaged** by testimonials, and frequent press releases;
- **Using community-based channels** such as health mutuals or other informal risk pooling or financial services providers**.**
- **Balance education with a sensible product offer**. Do not educate what is not available for consumers to purchase.
- Reinforce messages and provide **continuous education** responding to progression of awareness.
- Focus on **early education**, educating the young in schools and colleges, as they will be prepared and also, educate their parents.
- Education is more effective when provided at the **right moment in the life cycle** e.g. buying a new house, getting married.
- Take into account timing and location of educational measures while harnessing **existing learning environments**. Make use of **high-frequency contact points** with potential consumers, such as radios, or bill-boards in commuter trains.
- **Simplicity** is required in all steps: product design, messaging and performance measurement.
- **Educate catalysers** as insurance advocates such as representatives of local governments, journalists, employers, teachers and church leaders.
- Education needs to include risk management behaviour not only insurance.
- Question **impact and install simple monitoring** and evaluation from the outset

Financial Education for MSMEs: Combine it with entrepreneurial training: The upcoming stocktake report of Financial Education in the Arab Region concludes that choosing the right beneficiaries to target is key. About half of the more than 100 initiatives researched in this 2016 study focus on young people, which underlines the importance policymakers now attach to improving young people's financial awareness, skills and behaviours.

Most of these initiatives combine financial education with entrepreneurial training or content.[209]

[208] Consultative Forum on "Consumer Education, old questions, new thinking", IAIS-Microinsurance Network-A2ii 2015
[209] Upfront research for the conference on financial education in the Arab region, Morocco, October 2016, GIZ and Arab Monetary Fund, with support and inputs from central banks in the Arab region

Media, electronic	Advocates	Communities	Education		Give-aways
• Radio jingles, drama • TV programs • Leaflets, posters • Speeches, interviews • Billboards • Articles, blogs • Videos, music • Internet portals • Comparison websites • Phones: SMS, quiz, mobile applications • Tablet computers • Brand: logo	• Teachers • Priests • Trade unions • Corporate volunteers • Employers • Journalists • Trainers • Clients	• Competitions • Expositions • Road shows • Theatre • Runs • Group games • Workshops • Fairs • Study circles	• School or University curricula • Clubs, visits to Financial institutions • Teaching material • Tests • National financial education week/ month	•	• Token gifts • Loyalty Insurance products

Source: IAIS-MIN-A2ii Consultative Forum on "Consumer education, old questions, new thinking", Morocco, Nov 2015 (table from input presentation)

In insurance education, focus on certain client segments as quick wins. Insurance education can be offered to all population segments; however, in the beginning, a focus should be given to client segments with a high probability of purchasing insurance. Among those are

- Borrowers and savers of formal financial institutions
- Owners and employees of MSMEs organised in an association and/or linked to a bank, MFI or SACCO;

Insurance education plus products: Insurance education and product offerings should go hand-in-hand. Business practices of insurers should be sound from the start, as this is the best way of teaching the consumer that insurance works. Teaching people about insurance works best if good products and a service culture are in place. Stakeholder should seek ways of combining teaching and information with inclusive insurance product offerings.

Foster products a lender makes compulsory as people will learn how to use insurance it. For example, a lender can require insurance. In emerging markets, is it important to encourage first experiences with insurance. Compulsory microinsurance such as motor liability insurance and fire insurance, can generate large volumes quickly, tends to be cheaper and limit adverse selection. Nevertheless, this distribution channel needs to ensure that clients are aware of their coverage and facilitate the claims mechanism. Furthermore, once the credit is repaid, or the insured party leaves the group, the consumer should be made aware that he/she no longer has insurance, and voluntary coverage should be available for continued protection. Annex 8 presents the example of a compulsory health insurance product for women that is sold by a MFI in Jordan (Women's World Banking and Microfund for Women in Jordan). The analysis of client data revealed that clients who utilised this product called "Caregiver" made loan payments on time, maintained overall consumption and had an enhanced perception of themselves, clearly showing the empowerment and improvement of the health status of these women.

Table 19: Consumer education - recommendations for ELAN and Essor

Proposed measure	Programme
Sensitise public and private stakeholders – as multipliers - on educating the population on risks, risk management and insurance.	Essor
Support the integration of insurance themes (risk, products, and client issues) into the financial education strategy.	Essor
Implement training on insurance as a risk transfer mechanism for different segments of MSMEs (e.g. differentiated according to size, sector and location).	ELAN
Implement training on risk exposure, risk perception and risk reduction strategies for MSMEs; and how to prioritise risks (e.g. insuring their mobile phone is less important than life cover), i.e. what are insurable risks, which are greatest risks, and how they can assess them.	ELAN
Sensitise and provide information to stakeholders about MSMEs insurance needs.	Essor and ELAN
Conduct a study on preventive measures that support insurability for MSMEs with a business association.	ELAN
Support implementation of insurance by sensitising and informing MSMEs about these protective measures and their positive impacts.	ELAN

6.5 Strategy 3 - Conducive public policies recognising inclusive insurance

6.5.1 Policy outlook

Insurance is recognised as a key element for economic and social development, but there is still a lack of awareness of the contribution of insurance to achieve other seemingly unrelated public policies. Even though there is no public policy that promotes insurance or inclusive insurance, there is a clear recognition that it is a key element to achieve economic and social development. However, there is a lack of awareness about the contribution of insurance to other public policies. This could lead to duplication of efforts and inefficient expenditure on projects that provide funds or access to credit, without risk transfer mechanisms for broad population segments: middle and low-income earners and MSMEs. In that context, there is a need for a comprehensive strategy to promote the development of the insurance market in DRC, with an emphasis on inclusive insurance.

Insurance is a key component of the National Financial Inclusion Strategy and should be included as a component in the financial education interventions surrounding the strategy. The emphasis of financial and insurance education by the government is an opportunity to start building trust in the financial system including in the insurance sector.

The DRC has prioritised regional integration and this can contribute to an enabling environment for inclusive insurance through the contribution of regional providers and through peer learning on inclusive insurance. Firstly, regional providers can be key players in the emerging insurance markets in DRC. This could be addressed by granting special dispensations to reinsurers from the region. Insurance could serve as a tool to boost the integration process. Without regional integration, the DRC loses the opportunity to contribute to projects and peer learning discussions that promote inclusive insurance in the region.

The broader enabling environment of insurance needs to be improved, however some specific steps go beyond the insurance sector. Measures aimed to improve the business environment include: the rule of law, contract enforcement, access to justice, financial sector development, and removing legal gender differences, amongst others, will be key. These measures are beyond the scope of this study however, they are nevertheless important to mention:

- **Private sector development and regional integration:** As the DRC has OHADA, this was a first step, but full implementation is required. It is recommended to take advantage of the initiatives led by regional integration bodies, such as CIMA and South African Development Community (SADC).
- **Financial sector development measures.** These include developing the capital market to introduce a wider range of financial instruments for insurers as institutional investors and to allow the mobilisation of savings.
- **Extension of investment incentives to all financial services, including insurance companies**.
- **Finalise other financial sector regulation such as the agent banking and national payment system as soon as possible.** These regulations are essential for the development of inclusive insurance and insurance more broadly.
- **Strengthen consumer protection and recourse** for consumers in general, and the inclusive insurance consumer in particular (see section 6.3.5 and 6.6.3).
- **Support formal savings mobilisation.** Develop the deposit insurance to improve consumer trust. Link informal savings with formal institutions in order to mobilise funds, including longer-term savings, which can fund long-term investments and increase funding options for MSMEs.

6.5.2 Recommendations for the policy approach

Adopt a clear policy mandate to promote responsible inclusive insurance: Inclusive insurance needs to be explicitly recognised as a policy priority. To do so it is recommended the adoption of a policy paper on inclusive insurance in the mid-term. Such a policy paper could be the result of constant deliberations of an inter-disciplinary committee where the public and private sector are represented. It is recommended that this policy priority is recognised at the highest political levels.

Policymakers should consider ensuring that there is a wide recognition of the contribution of insurance in all the relevant policy agendas: Insurance can unlock opportunities for the achievement of other public policies such as DRR, CCA, food security, MSME development and the agriculture sector, health care provision amongst others. It is essential that in the context of the Inclusive Insurance Committee (see 6.8) all the public entities and policymakers leading the debates on those other public policies are taking part, so they can be aware of the key role that insurance could play.

Official recognition of insurance as a key component of the national financial inclusion strategy: Access to insurance is often considered secondary to access to credit and savings, within broader financial inclusion discourse. The same situation is replicated when a national strategy is being drafted. Credit and savings are financial services that are easier to incorporate into national financial inclusion strategies. The financial inclusion strategy being drafted should give the same level of consideration to insurance as to credit and savings mechanisms. The strategy should consider insurance as a core element to support financial inclusion. Integrating loans, credit, payments and leasing with insurance is key. The financial sector development strategy is the right policy instrument for this objective. Integrating insurance will allow the adoption of effective measures to encourage the development of inclusive insurance.

Insurance needs to be part of the national financial education strategy: Efforts aiming to raise awareness about financial services should include insurance. This is more urgent given that building trust is a must in the context of the DRC insurance market. Any intervention initiatives on financial education should be tailor-made and adopt a clear approach to monitoring and evaluation.

Table 20: Policy level - recommendations for ELAN and Essor

Proposed measure	Programme
Support the creation of the IIC to involve other policy spheres. Through this committee, Essor shall centralise its support, as well as that of other relevant stakeholders, to the government in enabling policies and technical assistance	Essor

6.6 Strategy 4 - ARCA implementing proportionate regulation

6.6.1 Regulation outlook

The liberalisation of the insurance industry is a unique opportunity to effectively construct key elements of this emerging market. The DRC is an emerging insurance market where all the elements of demand, supply, and the enabling environment need to be developed. Liberalisation will allow private insurers, new distribution avenues and partnerships; and a full new range of consumer-centric products. To enable this, allow broad population segments to access, and use insurance, an enabling environment is a pre-requisite. This is an environment, which motivates insurers and distribution channels to offer products that meet the needs of the population, while ensuring consumer protection.

Effective consumer protection is key to build trust and stimulate the low-income segment to purchase insurance products. Compared to conventional insurance customers, previously uninsured low-income customers and MSMEs are not only more difficult to reach and sell to, but also to effectively protect. They are likely to be more vulnerable to customer abuse. Consumer information and advice, product features, requirements and processes for claims payment, customer redress options, all needs to consider the specific features of low-income clients to ensure their customer protection.[210]

Certain regulations and regulatory process are inappropriate motivating and protecting future inclusive insurance clients. It took some time to locate and gain access to insurance regulations in the DRC, which is unhelpful from a perspective of future insurers and other industry participants. Moreover, issuing new regulations is a long and complicated process in the DRC. For instance, the process has stalled previous regulations and is currently holding up the issuing of regulations on payment systems and agency banking. This is even more important, given that inclusive insurance is dynamic, and it is therefore vital that regulatory mechanisms suit the current consumer needs and also, industry trends, which means that the process for amending existing regulation (and issuing new regulations) should be easy and quick. In the Philippines, In Peru and in Ghana, the original MI regulations have already been revised several times; based on broad dialogue with all participants and potential participants, with the goal of ensuring better access and a sound financial system. They were often reacting on changes in their markets, and on challenges the old regulation would pose.[211]

While some provisions of the Insurance Code are inappropriate and create barriers to the development of responsible inclusive insurance, other provisions stimulate market development opportunities. Table 21 presents a summary of the provisions of the Insurance Code and in other applicable regulations that are crucial for inclusive insurance. Some of them are inappropriate to effectively protect consumers in a situation exacerbated by the fact that there is no comprehensive regulation on consumer protection. However, there are some examples, where some provisions in the Insurance Code or other applicable regulations are positive for the development of inclusive insurance. This can be observed in the assessment chart below (Table 21) that follows the life cycle of the insurance contract:

[210] IAIS 2015
[211] Lessons from a decade of Microinsurance Regulation, A2ii 2016

Table 21: Assessment of insurance regulation with the inclusion lens

Elements of the Life Cycle of the Insurance Contract	Assessment
1. Risk carriers	**Capital requirements for risk carriers seem disproportionate for the development of inclusive insurance.** Entities and schemes that act as informal risk transfer tools for most of the population will not be able to comply with such requirements. In addition, the commercial insurers that seek a license may not necessarily be interested in engaging in inclusive insurance with the low-income segment. This is an enormous entry barrier that could hinder the development of inclusive insurance in the country. The formalisation process in the insurance sector in the DRC will remain a challenge. Informal schemes provide competition to formal insurers, as such ARCA should consider enforcing the formalisation of informal providers. **Allowing foreign insurers to engage in the market is an opportunity for inclusive insurance.** Provisions allowing foreign risk carriers when no insurance and reinsurance policy covering a specific risk or category exists in the national market is an opportunity in an emerging market such as the one of DRC. Indeed, this could be a helpful mechanism to establish a transitory scheme of foreign providers with experience in inclusive insurance notably in a context where the offer does not exist in the country. Given the current provisions, foreign insurers will also play a key role while ARCA builds its capacity. Regional support will be key during this process, as foreign insurance companies are already licenced in other countries and could participate in the DRC's market. **The insurance industry association is recognised by the Insurance Code and provides it with legitimacy Yet the level of involvement of ARCA and the MoF could restrict its independence, yet, such involvement could be positive in the initial stage.** The fact that the insurers' association is recognised in the Insurance Code is positive as this provides legitimacy to its role with ARCA, facilitating the debate on inclusive insurance. However, there are concerns about its independence given the level of involvement of ARCA and the MoF. It is not clear why they have to approve the articles of association and why ARCA should have the power to suspend their agreements. This contrasts with the nature of a private association.
2. Distribution channels	**The recognition of alternative distribution channels besides the traditional insurance intermediaries in the Insurance Code is narrow and ambiguous, and training requirements disproportionate. This could be a major obstacle for the development of inclusive insurance** and needs to be confronted. It is necessary to clarify that SACCO can effectively act as a distribution channel and other entities that have the trust of people and are close to them should be allowed to do so as well. In addition, the skills and training requirements for the individuals selling insurance products in the alternative distribution channel are disproportionate and could be one of the biggest hurdles for the development of inclusive insurance. **Key regulations that could enable new distribution channels and transactional platforms are still pending, such regulations are needed to promote inclusive insurance.** For instance, the regulation on agency banking is still being discussed at the level of the BCC and therefore it is unclear if non- banking agents will be allowed to commercialise insurance products or support other processes in the value chain, such as enrolment, premium collection, payment of claims pay-out, transferring key information, among others.
3. Product design and approval	**The Insurance Code promotes mandatory and credit-linked insurance products, which is a positive factor as these products are essential for the development of nascent insurance markets**. They are effectively the first opportunity for the Congolese population to have an experience with insurance products in a liberalised market. Forging and maintaining the public's trust is essential. Therefore, care needs to be exercised

Elements of the Life Cycle of the Insurance Contract	Assessment
	when designing and offering these products, customers need to see value in them and be treated fairly. **Bundling life and non-life insurance products is an opportunity presented by the Insurance Code that could be key for the development of inclusive insurance.** The possibility of insurers to offer life and non-life products in some cases, is an opportunity as it allows insurers to offer bundled insurance coverage that can be more relevant and appropriate for consumers. There is evidence that shows that people prefer to buy an insurance "package" that covers different risks for a fair price. **The limitation of non-indemnity products could be challenging, notably as agriculture plays a key role in the economy of the country, providing most of the jobs and ensuring food security**. Given this, parametric insurance solutions against natural disasters - micro, meso or macro, which are affordable, transparent and provide rapid payments. However, if the regulatory framework is strict the implementation of these initiatives will be limited. **Having group insurance regulated in the Insurance Code is an advantage for the responsible development of inclusive insurance.** Indeed, this enrolment mechanism is the most used in the context of inclusive insurance and therefore, it is essential to have clear rules applicable to it. **The requirement of consent of the MoF to cede abroad more than 75% of the risk to reinsurers could be a limitation in the context of inclusive insurance in an emerging market as in the DRC**. The local insurers will not have the capacity and skills necessary to evaluate and to retain part of the risk for innovative products, which are required for inclusive insurance. **The approval process of products seems proportionate and if carried out as described in the Code, should not be an obstacle.** This is a big achievement that a deadline for ARCA to approve was established. However, the drafting is not perfectly clear and some clarifications are required.
4. Disclosure of information and customer acceptance	**Electronic policies and signatures are not allowed, which is a major obstacles for the development of inclusive insurance and requires further in-depth analysis.** **The Insurance Code recognises simplicity, clarity, visibility and provision of contractual documents in a timely manner, this is positive for inclusive insurance.** They are key elements to protect consumers by ensuring that they provide free and informed consent, and most notably, know how to use insurance products. **Consumers are protected against bad practices.** Such as inclusion of ambiguous clauses and modification of terms and conditions between the contractual documents provided before and after entering into the contract. **The consequences of an insured party failing to comply with certain obligations are drastic, and seem inappropriate for inclusive insurance.** Especially given that a new insurance consumer will be less likely to be aware of their obligations. **It is unacceptable that in the case of married couples the signature of both spouses is required, this could pose enrolment problems** **The AML/CFT regulations are proportional and it is expected that they will not be an obstacle for the development of inclusive insurance.** The AML/CFT regulation allows proportionality for the compliance with KYC for low-value transactions.
5. Premium payment	**The inception of the insurance contract in DRC depends on the payment of the premium and there is no recognition of grace periods to pay premiums, such provision is not appropriate for inclusive insurance.** This is negative for low-income clients and MSMEs as they have irregular incomes.

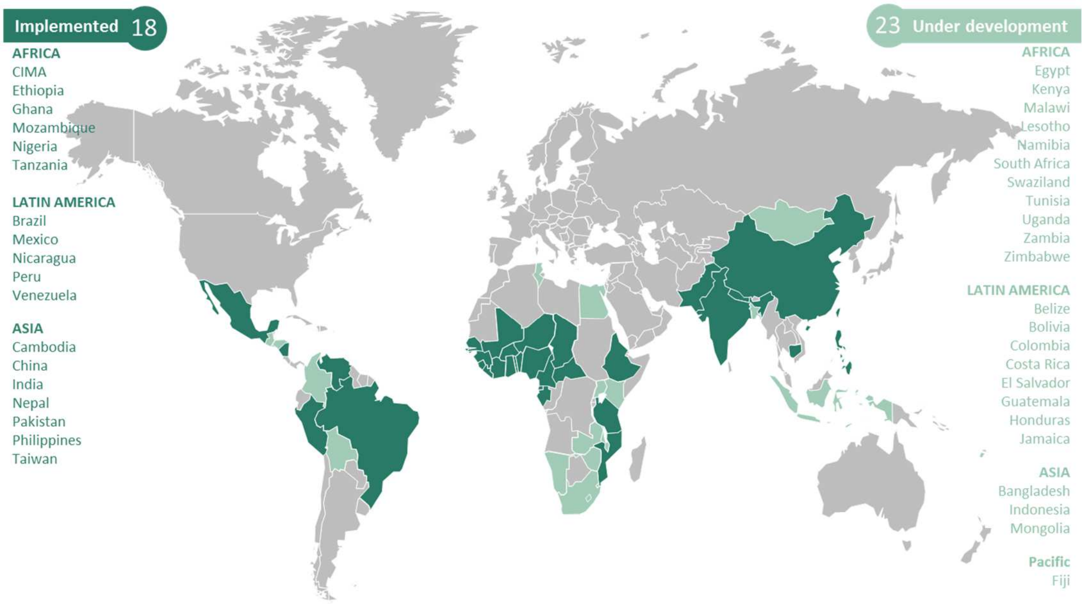
Elements of the Life Cycle of the Insurance Contract	Assessment
	Payment through mobile devices is allowed by the regulation, which is key to facilitate premium payments in the context of inclusive insurance. Otherwise, the payment of premiums will be extremely difficult considering the constraints related to payments in the DRC.
6. Claims settlement and contract termination	**There are serious consequences, if the beneficiary fails to notify the insurer of the occurrence of the loss within the timeframe, which is inappropriate for inclusive insurance**. These consequences are disproportionate and restrictive for the segments of the population where the awareness about their obligations and rights is reduced and literacy levels are low. **The claim settlement process is extremely confusing and arduous; this will be a major obstacle for the development of inclusive insurance.** It is likely that the application of that cumbersome process will further reduce trust in the insurance sector, which will be dreadful for a country in need of insurance products that have value and into which people trust. This is more likely to happen when observing the absurd list of documents that are required from victims in the context of mandatory motor vehicle insurance, a product that is supposed to raise awareness about insurance and build trust. **The termination causes are inappropriate for the development of inclusive insurance**. The termination provisions of an insurance contract seem inappropriate considering the particularities of the typical consumer of inclusive insurance.
7. Complaints handling	**There is no clarity about the insurer's internal complaints handling mechanisms available for consumers, and the available external complaints handling do not seem appropriate. This is not positive considering the vulnerability of the typical consumer of inclusive insurance**. Not having a dedicated framework for insurance consumers or financial consumers to register complaints internally is a critical challenge. In addition, the external mechanism where the CIC will be in charge seems inappropriate and incomplete. This is a critical issue because: firstly, the segments of the population that inclusive insurance aims to serve are vulnerable and it is more difficult for them to defend their rights and register their complaints without a clear and transparent framework; secondly, because the only option that they will have is to seek redress are through the traditional dispute resolution mechanisms which are plagued by flaws. This may lead to problems with a lack of access to justice. In such a context, inclusive insurance consumers are unlikely to be able to solve disputes and enforce contracts.

Source: developed by Andrea Camargo 2016

6.6.2 Recommendations in the area of regulation

Tackle the barriers for the responsible development of the inclusive insurance market by developing a Regulatory Road Map: Table 21 provided a summary of the provisions of different regulations or even the non-existence of some provisions, such as electronic signatures and policies that poses a barrier to inclusion. In each case, a recommendation is proposed in Table 22. Some provisions of the Insurance Code are particularly limitative for the development of the inclusive insurance market. Therefore, it is recommended to adopt certain measures to overcome such obstacles. Worldwide the approach adopted has been to modify the provisions that are considered as barriers for the development of the inclusive insurance market or to enact specific regulations, one or several, that create an exceptional regime for microinsurance, mass insurance or inclusive insurance. **Figure 8** provides an overview on other jurisdictions that have adopted or are preparing specific regulatory frameworks for microinsurance

Figure 8: The state of microinsurance regulations



Source: Proportionate Regulatory Frameworks in Inclusive Insurance, Lessons from a decade of microinsurance regulation, A2ii, 2016

In the particular case of the DRC, an amendment to the Insurance Code might be a cumbersome process that could take many years. Therefore, it is recommended to analyse in detail all the available and feasible options to overcome the regulatory barriers brought by the Insurance Law, for instance the following is recommended:

- to consider the possibility of issuing a law specifically on inclusive insurance that will tackle the most difficult provisions that cannot be construed differently by the supervisory authority through their regulatory power.

- related to those provisions of the Insurance Code that leave some room of interpretation, ARCA can consider to issue an inclusive insurance instruction to complement the Insurance Code.

The proposed Inclusive Insurance Law and the ARCA instruction could tackle the most important barriers of the Insurance Code. It is suggested that the proposed law is developed in the same way as the Microinsurance Chapter of the CIMA Code, which served as an inspiration to the Insurance Code in the DRC. The proposed law could do away with most of the barriers presented in Table 21. Furthermore, it is recommended that two forthcoming regulations are assessed: the CIMA regulation on Mobile Microinsurance that CIMA expects to adopt in early 2017, as well as their Digital Insurance Regulation to be expected later in 2017. These provisions could be useful for the drafting of a proposed Inclusive Insurance Law as set out in the following recommendations. Depending on the level of flexibility of certain provisions of the Insurance Code, ARCA could issue an instruction complementing the Insurance Code. Such assessment of flexibility of provisions should be carried out during the proposed preparation of the Regulatory Roadmap with the MoF and ARCA.

The recommendations set out in Table 22 are mainly directed at ARCA (if not otherwise stated). They are examples for immediate priorities. A full set of recommendations could be developed in a future Regulatory Road Map for inclusive insurance regulation in dialogue with ARCA, also involving the MoF and other relevant authorities.

Table 22: Recommendations for proportionate regulation

Elements of the Life Cycle of the Insurance Contract	Recommendation
1. **Risk Carriers**	**Assess the size of the informal providers in insurance or risk pooling and decide on a formalisation approach:** Knowing the size and status of relevant informal risk pooling schemes in the DRC will allow ARCA to develop a formalisation approach in collaboration with the Cooperative authority Depending on the result of the analysis it is recommended to develop a formalisation strategy. Options are to adopt a proportionate approach in the proposed Inclusive Insurance Law based on a new type of risk carriers with a lower minimum capital. Another option could be that SACCOs or mutual societies act as distribution channels. The formalisation example of the Philippines could be a reference point[212]. Ensure that the formalisation process under the current regulation is smooth and will not end up making key entities disappear that are providing risk transfer tools to the Congolese, or will not end up discouraging international entities or others to operate as risk carriers.
2. **Distribution channels**	**Allow alternative distribution channels and transactional platforms provided the compliance of proportional market conduct rules:** Assess what other alternative distribution channels and transactional platforms not specifically mentioned in the Insurance Code could play a role in the distribution of inclusive insurance in the DRC. Depending on the results of the analysis include these entities in the proposed draft of the Inclusive Insurance Law and ensure that the drafting of the article is open and allows other entities and bodies to act as such. As the training requirements of the selling agents of the entities allowed to act as distribution channels are disproportionate it is important that ARCA construes this article in a proportionate way allowing for some flexibility. The proposed Inclusive Insurance Law should recognise a proportionate training mechanism adapted to the particularities of the alternative distribution channels and the level of informality and lack of skills of a big proportion of the Congolese population. Examples of proportionate approaches in this respect can be found in the regulatory frameworks of India and the Philippines. **Banking agents should be allowed to play a role in inclusive insurance:** ARCA should be an observer and should provide inputs during the process of drafting of the regulation on banking agents so they can play a role in the context of inclusive insurance, as transactional platforms and/or distribution channels **An assessment of the regulation on mobile money is needed to ensure that mobile microinsurance can be a reality:** A deeper assessment on the regulation of the mobile money regulation is required in order to analyse if mobile phones can be effectively used as distribution channels and/or transactional platform.
3. **Product design and approval**	**Provide the tools to allow the development of parametric insurance products:** Parametric products could be useful in a country that is prone to natural disasters such as floods and where the agriculture sector plays a key role in the economy. Therefore, it is important to analyse if the limitation of non-indemnity products hinder the offering of these products in the country. If so it would be necessary to consider a provision on this topic following the lines of the Circular on Index Microinsurance of CIMA, and in the meantime ARCA could analyse the possibility of granting some exceptions.

[212] RFPI 2015

Elements of the Life Cycle of the Insurance Contract	Recommendation
	Explore the possibilities of easing the process of provision of consent when more than 75% of the risk is ceded abroad in collaboration with the MoF: In cases where local insurance companies do not have the capacity and skills to design some products needed, such as agriculture products or parametric products, it is better to allow practices such as fronting, therefore the requirement of consent of the MoF to cede abroad more than 75% of the risk to reinsurers could be a limitation in the context of inclusive insurance in an emerging market as the one of the DRC. **The process of product approval should be smooth and efficient:** Even though the approval process of products described in the Insurance Code seems proportionate it is important to ensure that in reality ARCA will implement speedy product approvals. The deadline for ARCA to approve is a big achievement. However, the related article is not perfectly clear and some clarifications are required. It is recommended that pilots are not required to be approved but instead they should be just registered without the need of approval, adopting a "file and use" process. ARCA should however closely monitor such pilots.
4. Disclosure of information and customer acceptance	**Move forward the discussions on electronic policies and signatures in the DRC:** The lack of electronic contracting legislation is an obstacle for the development of inclusive insurance, which increases costs and makes it very difficult to offer insurance products in more remote areas. It is recommended that this topic is considered as a priority in the discussion of the IIC so all the stakeholders involved participate. **Assess the level of understanding inclusive insurance consumers have to understand the rights and obligations that they have under the insurance contract, and the related processes:** Such assessment may bring the results that, despite the efforts of simplification and transparency adopted by the Insurance Code, clients are not aware of their obligations and are not in a position to comply with them. In this case, it will be necessary that ARCA analyses its application based on the risk based supervision approach and their consumer protection mandate. **Initiate a dialogue about the interpretation of Article 448 of the Family Law for the particular case of insurance contracts involving the appropriate stakeholders**. Requiring that both spouses provide consent will act as an important enrolment obstacle and this should be assessed and discussed. Such discussions should involve not only the bodies in charge of the defence of the family and women, but also the MoF and ARCA.
5. Premium payment	**Assess the feasibility of allowing grace periods for inclusive insurance.** Depending on the feasibility a provision allowing some flexibility in the case of inclusive insurance should be included in the proposed Inclusive Insurance Law. In the meantime it is suggested that the insurance industry analyses the possibility of granting some grace periods as a common and good practice for this particular market.
6. Claims settlement and contract termination	**Adopt a clearer and shorter claim settlement process for inclusive insurance.** Otherwise this will be one of the biggest obstacles of inclusive insurance in the DRC that will affect trust in the sector. It is essential to make sure that trust is build up in the country through good service at the moment of the claim settlement. The process of payment needs to be modified completely and should simply provide a limit of days that the insurer has to pay after the beneficiary has provided the documentation. Such documentation should be clearly established in the contractual documents and the insurer cannot ask for more. Such modification should be done in the proposed Inclusive Insurance Law. In the meantime ARCA and the insurance sector should discuss and set up a Code of Conduct for inclusive insurance including claims settlement. The documents required for motor liability insurance should analysed and an assessment carried out regarding how necessary some of those documents are.

Elements of the Life Cycle of the Insurance Contract	Recommendation
	Reform the article providing the termination clauses that are inappropriate for the development of inclusive insurance: Such causes should not apply for inclusive insurance according the proposed Inclusive Insurance law. In the meantime, a Code of Conduct in Inclusive Insurance (to be developed) should provide that insurers will assess in each case if the change of the conditions provided have an important impact that implies the termination of the contract.
7. Complaints handling	**A provision on internal complaints handling should be adopted:** The proposed Inclusive Insurance Law should include a provision stating that insurers should have a customer care department that will deal with complaints. In the meantime the insurers association should make sure that their members have such customer care departments in place. **External complaints handling led by ARCA needs to be transparent, further regulation by ARCA is needed:** It is recommended that in the regulations currently being discussed on the CIC of ARCA, the topic is discussed of the need for a complaints handling system that is accessible, affordable and impartial. The IAIS in the IAIS Issues Paper on Conduct of Business in Inclusive Insurance in 2015 provides important guidelines on how those complaints handling mechanisms should look like.

Source: developed by Andrea Camargo 2016

6.6.3 A consumer protection agenda in the financial sector

Recommendation: Adopt a comprehensive consumer protection regulation for all consumers of financial services: "Treating customers fairly (TCF)" should be a guiding principle from the outset that orients industry stakeholders on the various actions ensuring that (i) consumer information is effective, (ii) products are designed to meet the needs of the inclusive consumer and (iii) consumers know where to seek help in case of a claim or a complaint.[213]

- Future insurance clients in the DRC have to be **educated and convinced** about the value of insurance, and people must understand that insurance is one option among various risk management strategies, and that formal insurance has advantages over informal mechanisms.[214]
- Consumers must be **made aware that they have an insurance policy**, understand the terms and conditions, know their own responsibilities and rights, and where they can get support if need arises.
- Notably, the risks that new-to-insurance consumer face when purchasing mobile insurance are heightened, and need to be considered in measures intended to protect consumers, especially as these schemes tend to grow rapidly and client numbers reached by such schemes tend to be high.[215]
- One of the most effective protection measures is here **simplicity in product design** – products with clear policies, terms and few exclusions; and agent training and controls. Supervisory data on claims ratios is also of utmost value to assess the value of products. For example, products with very low claims ratio[216] (below 20%) have a low value from a cost-benefit perspective, and may indicate that the clients are not aware they have cover.

[213] See TCF of the Financial Services Board South Africa, https://www.fsb.co.za/feedback/pages/tcfhome.aspx
[214] See Annex 5 for more details about client value
[215] For more information on consumer risks related to mobile-phone based distribution, see Annex 6.
[216] The claims ratio is actual claims divided by the amount collected as risk premium (reflecting expected claims), NIC 2015

- The Insurance Code has provisions that aim to protect consumers, such as the ones promoting transparency and simplicity, or the ones providing guidelines for group insurance, or those protecting consumers against bad practices. However, it is recommended that the financial sector authorities in the DRC, such as the BCC, MoF, ARCA, engage in a process of drafting of a regulation on consumer protection in the financial sector. Otherwise a comprehensive protection will be extremely difficult to achieve. The support of the World Bank, entities such as Consumers International, amongst others will be key. Such comprehensive framework should be proportionate and should consider examples such as the ones in Colombia, El Salvador, Mexico, South Africa, amongst others.

Table 23: Proportionate regulation - recommendations for ELAN and Essor

Proposed measure	Programme
Help promote the dialogue between ARCA, the MoF and others about the obstacles of the Insurance Code and develop a strategy to confront to these obstacles in the short, medium and long term.	Essor and ELAN
Based on the dialogue above in the inclusive insurance coordination committee of ARCA, develop a Regulatory Road Map on Inclusive Insurance to address legal and regulatory barriers and propose a proportionate approach.	Essor
Support ARCA and the MoF in the identification of the flexible provisions in areas which are current obstacles to inclusive insurance that could be amended by an ARCA instruction.	Essor
Promote the dialogue and the adoption of a strategy on electronic signatures and policies.	ELAN
Involve ARCA in the process of drafting the banking agents' regulation led by the BCC and foster dialogue.	Essor
Carry out a specific analysis of the level of appropriateness of the regulatory framework in the DRC for mobile microinsurance.	ELAN
Carry out a specific analysis of the level of appropriateness of the Insurance Code and other regulations for the development of mutual insurance in DRC.	ELAN

6.7 Strategy 5 - ARCA effective supervision

6.7.1 Supervision outlook

There is an opportunity for ARCA to consider inclusive insurance from inception. Awareness and knowledge within ARCA is crucial for inclusive insurance market development. Inclusion has the potential to cater for many millions of Congolese and hence, deserves the engagement of high level management and staff from various departments within ARCA. However, it will be challenging to ensure that ARCA staff will have the resources, time and skills available to understand the traits of inclusive insurance. Indeed, ARCA will have competing priorities that it needs to tackle simultaneously.

Proportionality is a difficult concept to grasp and to implement in practice. Therefore, capacity building on how the principle is applied to inclusive insurance will be essential. Such training is urgent, notably in the context of the motivating insurers and perhaps, a future formalisation process of informal risk carriers. If this is not done in an appropriate way, it is likely to restrict the development of inclusive insurance in the country and effective consumer protection.

Monitoring of key performance indicators allows assessing client value and sustainability of microinsurance business. There are needs in terms of performance data on the microinsurance business in general, and specifically on claims and renewals. More than 200 providers from 36 African countries reported data of 250 products. Their microinsurance schemes had an average of 36% claims ratio. In other African counties, still many microinsurance providers report that they do not segregate their data and hence, are not aware of their administrative expenses and the sustainability of the scheme.[217]

There is an urgent need to ensure coordination and collaboration amongst supervisory authorities of the entities that will be involved in the inclusive insurance value chain. The multiplicity of authorities involved in the value chain of inclusive insurance makes a point about the relevance of ensuring a proper dialogue between all of them right from the start, and later coordination and/or collaboration. For example, when mobile insurance is developed, coordination between ARCA as well as the Telecommunication Authority and the Central Bank is imperative to resolve issues such as "can airtime be used for premium payment" or can ARCA enter the premises of a MNO/EMI provider during on-site inspections. Or, BCC staff may require training and guidance how to supervise insurance provision at the level of the FIs they supervise.

6.7.2 Recommendations for supervision

Training of ARCA's staff and ARCA internal coordination committee on inclusive insurance. ARCA has one of the most important roles to play in the context of inclusive insurance, which is installing trust in inclusive insurance. Therefore it is important for ARCA to receive appropriate technical assistance to understand its roles, its limitations and potential in inclusive insurance. It is recommended that from day one of the establishment, a taskforce[218] within ARCA on inclusive insurance where all the departments of ARCA participate and other stakeholders (e.g. interested donors), is created. Essor can assist in the set-up of this taskforce and hold the Secretariat role before ARCA is ready to take on this responsibility.

The ARCA internal committee can be the focal point where all the measures of ARCA will be assessed from the lens of inclusive insurance. In order to ensure that ARCA has the appropriate knowledge to carry out such an assessment, ARCA might need technical assistance on how to implement the IAIS Insurance Core Principles[219] in an emerging insurance market, how to ensure that regulation is proportionate (see 6.4) and that the risk based supervision approach effectively supports inclusive insurance.

There are seven priorities, which could be further developed in detail in a Regulatory Road Map on Inclusive Insurance driven by ARCA. The key to move forward on these priorities is to engage in a healthy dialogue with all the stakeholders through the IIC. The main priorities are presented in Figure 8 and can be further developed in a Regulatory Road Map, as summarised in the following:

1. **Understand the particularities of inclusive insurance consumers and be aware on how to protect them effectively:** It is important that ARCA understands who the target market is, what the vulnerabilities they confront, and how some provisions and business practices are not beneficial to them. This awareness could be boosted thanks to the participation in demand studies,

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[217] Microinsurance Network Expert Forum Business March 2016, http://www.microinsurancenetwork.org/groups/new-expert-forum-series-microinsurance-africa

[218] Such a committee was set-up within the Insurance Commission (IC) in the Philippines in the first years of microinsurance market development. The following divisions composed the membership of the MI Technical Committee that was set up in 2011: Office of the Deputy Commissioner; Actuarial; Field Examination – Life; Field Examination – Non-Life; Statistics and Research; Regulation, Conservation and Liquidation; Rating; Public Assistance and Information; Pre-Need. The committee met every two months and had terms of reference outlining their tasks and objectives (Appendix 8, RFPI 2015). In Zambia, FSD Africa supported the establishment of a multi-stakeholder Technical Advisory Group (TAG) to provide leadership and coordination in the industry - https://www.fsdafrica.org/how-we-work/expertise/case-studies/the-growth-of-inclusive-insurance-in-zambia-catalysing-the-market-through-industry-leadership/

[219] www.IAISweb.org

monitoring pilots closely, and participating in activities with end clients that are carried out by the industry. Furthermore, the IAIS through the A2ii could support by sharing experiences around the world and in the region. The characterisation of the end consumer made in the Issues Paper on Conduct of Business in Inclusive Insurance is an important reference pint here, as well as other guidance that is emerging (e.g. upcoming IAIS Digital insurance paper).

2. **Consider inherent regulatory barriers and have a plan to overcome them:** It is essential that regulatory barriers are classified by their level of difficulty to overcome them and create a plan in the short, medium and long term where all the relevant parties are involved. This will be one key output of the regulatory road map.

3. **Learn how to monitor inclusive insurance** in order to promote value and transparency by gathering, analysing and publishing data: it is recommended that ARCA is acquainted with the mechanisms available to monitor the performance of inclusive insurance products through KPIs, such performance cannot be only financial performance but also social performance. For this purpose, it is suggested that ARCA receives training. In addition, it is recommended that ARCA considers including clear mechanisms where data is gathered and analysed in a consistent manner. Once the results have been analysed, they should be shared and discussed with the industry, but also with consumers in order to encourage good practices.

4. **Encourage positive behaviour and impose proportionate sanctions:** Enforceability and accountability are essential and it is suggested that ARCA considers ensuring that bad practices and sanctioned. However, the sanctions must be assessed and decided based on the risk that the activities posed to the stability of the sector and on consumers. In the same way, positive behaviour and good practices should be supported and praised through systems of qualifications or stamps, notably in a context where it is likely to expect that self-regulation will play a key role to confront some of the barriers of the regulation.

5. **Understand the industry and engage in a close dialogue to agree on good practices:** It is common wisdom in inclusive insurance that understanding the industry is key. That understanding is the result of a constant dialogue and sharing of experiences. It is recommended that ARCA and the industry consider engaging in a respectful and constant dialogue, that leads to adoption of good practices for instance through Codes of Conduct for Inclusive Insurance.

6. **Be an active member of the regional dialogue of supervisory authorities:** It is recommended that ARCA takes into consideration the lessons learnt of supervisory authorities with extensive experience in inclusive insurance in the SSA and other regions (see Annex 10 on international experiences of regulatory treatment of microinsurance). The benefit of being new in the inclusive insurance market field is that there are relevant experiences as well as good practices; hence, -making the same mistakes could be avoided. Refer to the IAIS, FANAF, AIO, A2ii or Munich Re Foundation and their learning platforms, publications and regional and global events.

7. **Be the champion of inclusive insurance in the DRC:** It is recommended that ARCA contemplates to be the leader of the IIC and promotes inclusive insurance with all stakeholders in the country.

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Figure 8: Possible priorities for ARCA for the development of inclusive insurance in the medium and long term

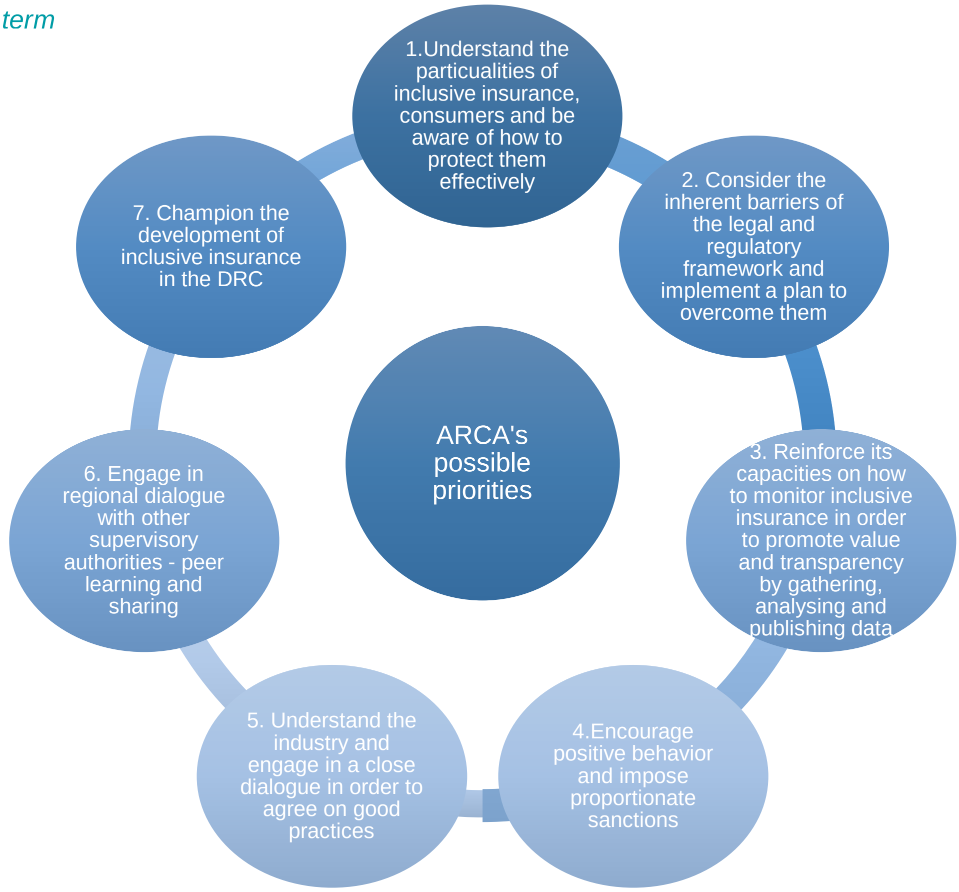

Table 24: Strategy 5 - Effective supervision - recommendations for ELAN and Essor

Proposed measure	Programme
Training of ARCA staff in inclusive insurance	Essor
Advising ARCA on how to create the inclusive insurance coordination committee	Essor
Supporting ARCA to develop a monitoring system for inclusive insurance based on key performance indicators discussed with the industry	Essor and ELAN
Act as liaison between ARCA and projects aiming to understand the target market of inclusive insurance, so that ARCA can participate and have access to the results of demand studies	Essor
Support regional dialogue, peer-exchanges and learning	Essor

6.8 Strategy 6 - Interinstitutional coordination and collaboration

6.8.1 Outlook

In the DRC, public policies focus on financial sector development including inclusive insurance. Financial sector development and private sector development are recent policy priorities reflected in the National Development Strategy (2017 - 2021). Financial inclusion and financial education are policy priorities expressed by the BCC and the MOF, and will be expressed in the upcoming Financial Inclusion

Strategy. The Financial Inclusion Diagnostic MAP[220] and the respective Road Map for implementation are important steps towards understanding financial inclusion in more detail, and preparing towards the implementation of multi-stakeholder approaches to advance financial inclusion.[221] Insurance has the potential to also play an important role for the achievement of other important public policies reflected in the National Development Strategy, e.g. agriculture transformation, industrialisation, food security and climate change adaptation. There is a multitude of public and private stakeholders, which are involved either directly in the financial sector including insurance, or in other policy agendas that may seek to use insurance as a tool for development in the future.

At global level, insurance is recognised as a key tool to achieve the Sustainable Development Goals (SDG). Within this agenda, insurance can help to alleviate poverty, strengthen food security, mitigate climate change and reduce the negative impacts of natural disasters, among others.[222] In that context, inclusive insurance in the DRC needs to be seen as a tool that will be helpful to achieve the sustainable development of the country. It is essential that a common forum recognises this role of insurance not only from the perspective of financial inclusion or MSMEs development, but from a broader policy perspective. Indeed, insurance is key to achieve a broad range of public policies such as: private sector development, food security and sovereignty, climate change adaptation, disaster risk reduction (DRR), agriculture development, health care provision, poverty reduction, MSMEs resilience, financial inclusion, etc.

Supervisory authorities, which oversee the stakeholders involved in the inclusive insurance value chain, are key stakeholders. Proper dialogue between these authorities (see above) is an important first entry point. At a late stage, coordination and/or collaboration may be required in issues regarding formalisation, training

Industry associations are important stakeholders. They should be involved in a variety of themes and measures such as (i) advocacy worked directed at the owners and management of insurers and financial institutions about the potential for and approaches of inclusive insurance; (ii) training their members and facilitating training for clients of their members; (iii) contribution to national financial education campaigns, (iv) dialogues with ARCA, BCC and MOF about policy and regulatory issues.

6.8.2 Recommendations for coordination and collaboration

Organise stakeholder coordination and collaboration. Inform the relevant public and private entities involved in inclusive insurance to motivate them to join hands. It will take considerable effort by all public and private stakeholders to develop a transparent and competitive insurance market that offers products to broad segments of the population, including the low-income segment. Public and private stakeholders should tackle the challenge in coordination and using a collaborative approach.

Establish an inclusive insurance Committee as platform. An inter-institutional committee of multiple stakeholders should be established to promote the broader inclusive insurance agenda. The MoF, the BCC and ARCA should create the “Inclusive Insurance Committee (IIC)” as a coordination, collaboration and implementation mechanism. The ICC should strive for mutual information, joint learning and knowhow transfer, as well as multi-stakeholder engagement and collaborative support. This committee should focus on strategic matters, as well as other technical questions:

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[220] MAP 2015
[221] Road Map 2016
[222] The Agenda on Sustainable Development Goals 2030 (UN), the Paris Agreement on Climate Change and the Sendai Framework on DRR

- **Strategic matters** that will emphasise the importance of inclusive insurance for sustainable development and its opportunities. It will help raise awareness about the positive impacts of integrating insurance in policy agendas such as rural development, financial inclusion, private sector development, food security and sovereignty, climate change adaptation, disaster risk reduction, or agriculture development. These questions should be discussed with the relevant ministries and technical agencies, including on the mechanisms to include the topic of inclusive insurance in helping to promote resilience in their policy agendas.

- **Practical technical aspects** – The topics such as the regulatory definition of microinsurance purposes[223], or implement capacity building measures such as trainings on product development and client value, can be tackled. Technical solutions may also be required for example for the reporting format for the industry to the supervisor or about financial education commitments. These meetings on technical aspects should be organised over a certain period until the specific output is delivered.

National sector learning. Stakeholders should organise advocacy and learning measures and events for the sector or certain parts. They can be organised in the form of:

- National conferences, dialogue seminars and technical workshops
- International and regional know-how transfer events e.g. by funding of external inputs to events or IIC meetings; of bringing speakers to present lessons, the dissemination of studies and other research or guidance materials.
- Development of studies and research papers on certain priority topics, e.g. on "Implementing effective financial education measures"; "What works in disclosure of information to the client".

Table 25: Interinstitutional coordination and collaboration - recommendations for ELAN and Essor

Proposed measure	Programme
Support setting up and operations of the IIC: o Strategic meetings (every 6 months, later yearly) o Technical meetings (meeting regularly e.g. every 2 months, offering thematic lunches, presenting lessons from other countries on products or regulation in national events	Essor
When possible and relevant, support external inputs to events or IIC meetings; speakers to present lessons, dissemination of studies and other materials	Essor

6.9 The way forward

Inclusive insurance in the DRC is nascent and requires the concerted efforts of all stakeholders from the public and private sectors. The above recommendations respond to the barriers and potential identified and strategic priorities of the coming years. The outcomes of the recommended activities will help ensure effective market development that is feasible for providers and also, valuable for

[223] Such a definition should be developed in a public-private dialogue. Details will be presented in the regulatory chapter to follow. Further reading: Access to Insurance Initiative (A2ii): Définition réglementaire de la micro-assurance (Consultation Call Note Regulatory Definition II), 2016

consumers.

In summary, to implement the immediate priorities recommended in the six strategic lines above (see Figure 5, Chapter 6.2) changes must happen in national strategies, organisational structures and importantly, also in the minds of stakeholders. The required investment should be made by government, private sector and supported by the various international development agencies. Importantly, peer exchanges and know-how transfer from other markets that underwent a similar change will help to achieve measurable changes in supply and take-up of inclusive insurance in the DRC in the coming years.

Annexes

Annex 1 – List of consultations

Company / Organisation	Type	Contact Person and Function
RawSur, Insurance company to be established	Future life and non-life insurer	Jean-François Cateau, Technical Manager; Yashwin Hamoldar, Technical Director
GIZ Financial Systems Development Programme	Technical assistance of bilateral agency	Francis Nzondomyo Zekobode, Consultant Yoro N. Ndiaye, Technical Consultant Pacifique Ndagano Matabaro, Technical Consultant
ANMIF (Association Nationale des Institutions de Microfinance)	Microfinance association	Andre Mayala Lutete, General Secretary
SAMIRIS	Insurance broker	Emmanuel Nguemto, General Director
ESABI (Ecole Supérieure des Assurances Banques Informatique)	Insurance School	Emmanuel Nguemto, Executive Secretary
Ministry of Finance	Public institution	Robert Matungala, Insurance advisor
Assurance Le Jeune	Insurance broker	Stefan Le Jeune, Director
Banque centrale du Congo	Public institution	Marie-Jose Ndaya Ilunga, Deputy Director
Ascoma	Insurance broker	Silvere Crepin Bon, Manager
Bank of Africa	Bank	Soumaila Sibide, Deputy Managing Director
FINCA	Microfinance bank	Mamie Kalonda, Chief Executive Officer
ProCredit Bank	Bank	Hugues Bonshe Makalebo, Deputy Managing Director
Airtel Money	Mobile Money Provider	Doudou Charles Bahizire, Director
SONAS (Société Nationale d'Assurances)	Insurer	-Omari, Head of Legal Department -Claude Kishala Mwape, Directeur principal, organisation, informatique et statistiques
La Micro Finance	Microfinance magazine	Amédée Mwarabu Kiboko, rédacteur en chef
Advans Banque Congo	Bank	KATI TSHITUKA KABADUNDI, responsable business et développement
FPM (Fonds Pour l'Inclusion Financière)	Financial institution	Nadine Mabanza, Project Manager Séphora Tshiyombo, Project Manager, Analyste financier
FEC (Fédération des Entreprises du Congo)	Business association	Abdallah AMICI WELO, Directeur des études et analyse économique Solange ZODULULA, responsable division PME
ANAPI (Agence Nationale pour la Promotion des Investissements)	Public institution	Robert MOUSTAPHA, Directeur Général Adjoint
SOFI BANQUE	Bank	Caroline GOREUCHY, Secrétaire Général
Action Femme pour le développement, AFD	NGO	MUNDULU Ondrade, présidente
Banque Centrale du Congo	Public institution	-Marie-José NDAYA ILUNGA, directeur Adjoint -LILIANE KABILA NKULU, Economiste
Gras Savoye Congo	Broker	DIANE ZANGA, DIRECTRICE PAYS
ACA (Association des Courtiers d'Assurance)	Business association	ALPHONSE DAUDET KABENGA MUELA, gérant

Company / Organisation	Type	Contact Person and Function
POMUCO (Plateforme des Organisations Promotrice des Mutuelles de santé du Congo)	Mutuals association	-Me. HENRY KAMVUNZE, chargé d'administration et communication -Pr. Théophane BUKELE, chargé de formations techniques et thématiques
COPEMECO (Confédération des Petites et Moyenne Entreprises du Congo)	Business association	Théo Pierre KASANDA, secrétaire Exécutif National
HB GOSEN	Private company	EPETOME GODET, promoteur
THEZY	Public institution	Rostand KITUNGANO, responsable commerciale et marketing

Annex 2 – Demand insights about risks and insurance usage from interviews

In the course of the Essor/A2F Leasing study (2016) over 30 MSMEs were interviewed of which 20 also touched on insurance, with the following results:

MSME type and N°	Opinion about insurance and practice	Having insurance
Trade (1)	Mr. J. experienced a fire in 2001 in his residence which is also his workplace**. As result, he lost a significant amount of money**. **Resuming his business activities was challenging without insurance** but he did it by becoming intermediary of other sellers. He stated that Congolese insurances are not very reliable, hence up to this day he has never been insured, neither for his company nor for his household.	No
Trade (2)	She often faces **theft risks** when her merchandise arrives from Dubai. She **never thought of insuring her merchandise** as she finds the Congolese insurances unreliable.	No
Bakery (3)	Mr M. **has never heard of insurance** nor leasing.	No
School (5)	She pays **insurance for students and teachers**. The amount is set annually and is affordable.	Yes
Office Cleaning (6)	**Theft** (money, computers or other office assets) are often reported by customers after the passage of cleaners at their offices. **The company is not insured for such incidents**. However, **the company has taken out an insurance policy to cover its employees against workplace injuries**.	Yes
Transport (7)	He **pays insurance** for cement carriers because it is often dangerous and there accident risks.	Yes
Architecture bureau (8)	Mr. K. **does not pay insurance due to a lack of money**.	No
Construction (10)	He **pays insurance when he wins a contract** because of the risks associated with some of the work. When on a job, he employs approximately 50 daily workers.	Yes
Farm (12)	She **has no insurance**. She has two bank accounts (BIAC and Ecobank), and never requested a bank loan has she does not know how to proceed.	No
Farm (13)	She has a personal bank account that she uses for her business. However, she **never used the insurance products**.	No
Farm (14)	They work with people who often steal cassava during harvest, causing significant losses. She has **no knowledge of insurance products** that could protect her from those risks.	No
Hotel (18)	He has never applied for a bank loan. He **used to pay for insurance, but he no longer does** so due to low revenues.	No
Repair shop (19)	They only pay for insurance when they have to carry out work with significantly high risks.	No
Pharmacy (21)	They do not pay for insurance due to low revenues.	No
Trade (24)	She has an insurance policy with SONAS for workers who must on field during the 2 months.	
Trade (25)	She has 2 bank accounts. One at FINCA and the other at Mecreco (a microfinance institution). **Theft is one of the big problems in her establishment**. But she has **no information on insurance**.	No
Artist (26)	In 2011, he was a victim of looting by young people of the district of Yolo and Kauka. They destroyed some of his workpieces and sold others at very low prices. Losses were estimated at USD 7,000.	No

MSME type and N°	Opinion about insurance and practice	Having insurance
Trade (27)	She has a bank account at Trust Merchant Bank but never applied for a bank loan there or elsewhere as she is afraid of the requirements. **She pays no insurance**.	No
Trade (31)	She **does not have enough money to pay for insurance**. Her monthly bookkeeping is not computerised.	No

Source: Essor Access to Finance (21.09.2016)

Knowledge, attitude and usage of insurance according to 20 interviews (Leasing study)[224]

MSMEs	Not heard, do not know	Using insurance	Not using	Not affordable	Insurance is not reliable
N°	3, 14, 25	5, 6,7,10, 19, 24	6, 12, 13, 27	8, 21, 31, 18, 21	1, 2
Total 20	**3**	**6**	**4**	**5**	**2**

Major risks the 20 MSMEs mentioned

Risk	Number of times it was mentioned
Theft	6
Accidents of employees	23
Bushfire	14
Theft	26
Plundering/robbery	26

[224] Not all MSMES gave a response to all the topics

Annex 3 – Demand: About the Focus Groups Discussions

To collect information about the demand for insurance in the DRC, the Essor and ELAN programmes organised two Focus Groups sessions on the 18th and 20th of October 2016.

- The first Focus Group was organised in partnership with the COPEMECO ("Confédération des petites et moyennes entreprises du Congo") and
- The second was organised with FINCA MFI.

These partners selected and invited 13/14 of their members/clients to take part the event. Following the instructions of Essor-ELAN, COPEMECO selected individuals managing or working in a MSME; and FINCA selected individuals owing or working for a microenterprise. The Focus Groups lasted for 2 hours and took place at the partner's premises. The discussion of the Focus Group was driven by the guide elaborated by Essor-ELAN team as a methodology tool.

Focus Group 1	**Place**	COPEMECO Office – Limete, Kinshasa
	Date and time	18/10/2016 – 10am – 12am
	Participants	13 participants (2 women, 11 men), members of the COPEMECO
	Sectors represented	- General construction : 2 participants - Retail outlet : 3 participants - Transport : 5 participants - Architect : 1 participant - Legal advisor : 1 participant - Education : 1 participant - Security : 1 participant - Food-processing : 1 participant - Property : 1 participant
Focus Group 2	**Place**	Finca Office – Matete, Kinshasa
	Date and time	20/10/2016 – 9h30 - 11h30
	Participants	14 participants (8 women, 6 men), clients of FINCA
	Sectors represented	- Chemical products: 2 participants - Construction material: 1 participant - Funeral: 1 participant - Bar: 2 participants - Pharmacy: 2 participants - Retail Outlet: 3 participants - Transport: 2 participants - Shoes: 2 participants - Fuel: 1 participant - Glass: 1 participant - Clothes: 2 participants - Mobile phone: 2 participants - Food retail: 4 participants - Printing shop: 2 participants

The FGD was followed four themes, the table here below summarises the main questions driving the discussion around these themes:

Theme 1 - Risks they identify	- What are risks that you are facing in your day-to-day life, both at work and at home? - How often are you facing these risks? Very regularly, regularly, not regularly.
Theme 2 - Solutions they commonly used	- What are your mitigating strategies to cope with these risks? - How often do you have to use these mitigation strategies? - How effective are these mitigation strategies?
Theme 3 - Barriers they perceive in access insurance	- What are the barriers, which impede you to sign up for insurance?
Theme 4 - Vision they have about insurance	- What is your vision for the future of insurance in DRC? - If you had access to insurance, how would you like it to be? - What are the characteristics of a good insurance?

Annex 4 – Examples of health mutuals in the DRC

Name	Purpose and strategy	Number of members	Territory
CAMS (“Cellule d’ Appui aux Mutuelles de Santé”)	They organise access to quality healthcare at affordable prices for the population. - Creation of health mutuals, their strengthening and expansion - Technical partnership with the Christian mutual society of Hainaut-Picardie (Belgium)	Grouping of 14 mutuals, thus 120,000 members	Sud-Kivu
CGRAT (“Centre de Gestion des Risques et d’ Accompagnement Technique”)	Organisation of civil society in the service of mutual societies - Professionalization of health mutuals - Support for the establishment of provincial networks of health mutuals - Integration of health mutuals into national health financing and health insurance schemes - Promotion of preventive care and establishment of a documentation centre for mutual action	Grouping of 20 mutuals, thus 50.000 members	KINSHASA KONGO CENTRAL Nord-Kivu Sud-Kivu Equateur
CENADEP (“Centre National d’ Appui au Développement et à la participation populaire”)	They support the organisation of populations at the grassroots level - Promotes democratic expression and participation of rural and urban populations - Strengthens and supports the capacities and initiative of social and economic self-organisation of urban populations using tools adapted to the challenges caused by urbanisation	Grouping of 3 mutuals, thus 10.000 members	KINSHASA HAUT-KATANGA
MOOC ” Mouvement Ouvrier Chrétien du Congo” (Socio-educational and trade union movement dome)	To build a better environment through by defending the rights of the most deprived workers and peasants, social prevention and the promotion of the social economy in favour of the precarious categories of the population such as women and young people	Grouping of 6 mutuals, thus 80.000 members	Countrywide
PRODDES (“Promotion de la Démocratie et des Droits Economiques et Sociaux”)	Civil society organisation platform - Social protection and the promotion of mutual health schemes - Food sovereignty and the promotion of the peasant movement.	Grouping of 5 mutuals, thus 50.000 members	KINSHASA EQUATEUR SUD-KIVU BANDUNDU

Source: *La plateforme des organisations promotrices des mutuelles de santé du Congo, POMUCO*

Annex 5 – Product examples in inclusive insurance

The following product examples for inclusive insurance are derived from other markets. There would need to be some adaption to the Congo market, in details and how it is priced. Some are recommended for the emerging insurance market in the DRC; others may be relevant at a later stage, when providers are settled in the market, have more experiences and certain relevant systems are established. Among those are safeguards for investments in the financial sector (for savings-based products) weather data.

Product 1	Product features	Notes (e.g. applicability in DRC)
From market/region	Bangladesh/Asia	Use of credit is low in the DRC, however, this is the best entry point to reach the population as they obtain loans. It also helps insurance industry build skills.
Name	Credit Life plus	
Type	Term (linked to a loan and its term)	
Cover	Borrower Lump sum payment, pays off loan and additional balance to family, or add funeral benefit and pay off loan	
Exclusions	None	
Benefit(s)	Outstanding loan on death of borrower	
Premium	0.7% of loan amount (varies depending on many factors)	
Group/individual	Group (all borrowers of the MFI)	
Eligibility	Members of Clients of MFI branch	
Distributed by	MFI	

Source: developed by authors

Product 2	Product features	Notes (e.g. applicability in DRC)
From market/region	Bangladesh/Asia	Additional benefit added via MFI or other sound distribution system is second best way to start insurance in the DRC.
Name	Life	
Type	Term Life (covering term of a loan)	
Cover	Borrower Fixed amount (not related to loan amount)	
Benefit(s)	5000 BTD (USD 64) on death of borrower.	
Premium	Premium (covers term of loan): BTD 40 or USD 0.50 (Premium will vary by scheme and country as it is dependent on many factors)[225]. Premium rate in DRC can be equivalent ratio to sum insured, to be determined	
Group/individual	Group and can be individual	
Others?	Additional death benefit added to Credit Life policy or can be on voluntary basis with additional premium	
Eligibility	Members of MFI branch obtaining a loan	
Distributed by	MFI	

Source: developed by authors

[225] Currency conversion as of Oct 2016

Product 3	Product features	Notes (e.g. applicability in DRC)
From market/region	Bangladesh/Asia	The concept of health insurance is well known through mutuals. Health insurance is a desired need. This model can be with MFI members of Cooperatives, associations or any other group that is reliable and has reliable membership
Name	Health	
Type	Hospital Cash	
Cover	Family of 5	
Benefit(s)	BDT 200-400 per day of hospitalisation (USD 2.50-USD 5.00 for a maximum of 30 days. Excluding the first day.	
Premium	Annual Premium 250-500 BDT (3-6 USD)[226] This will vary depending on many factors such as. - Incidence of hospital use for the target population, country or specific hospital - Product management - Actual product expenses	
Group/individual	Group of MFI clients	
Other information	Voluntary product, can be mandatory if desired	
Eligibility	Members of MFI branch	
Distributed by	MFI	

Source: developed by authors

[226] Currency conversion as of Oct 2016

Product 4	**Product features**	**Notes (e.g. applicability in DRC)**
From market/region	Philippines/Asia	Note: This is a good example as business owners like a lower benefit covering many risks as they are more likely to claim – from ILO: *"The vast majority of providers interviewed said that a product covering multiple risks was far more attractive to small businesses than single covers. This need not necessarily mean a very expensive cover offering high benefits across a number of risks[227]."*
Name	CaMIA PAID Plan- CaMIA package assistance in Case of Disaster Plan	
Type	Bundled product (multiple risks)	
Cover	4 separate risk events are covered: Catastrophe (flood, hurricane, earthquake), fire, personal accident, death of policyholder	
Benefit(s)[228]	o Catastrophe benefit of USD 224 o Fire benefit of USD 671 o Accident benefit of USD 2.908 o Death benefit of USD 448	
Premium	USD 10 per year This will vary depending on many factors.	
Group/individual	Group	
Others factors	Voluntary product The benefits of the plan may claim at any office or CARD provincial headquarters, all branches of CARD or its affiliates	
Eligibility	CARD members and their relatives, members of the affiliated institutions. Renewable to age 70. Adults: enrolment age 18-64 Children: age 2 weeks to age 17	
Distributed by	Mutual Benefit Association- CARD MBA	

Source: CARD Pioneer brochure (2014) (translated on google translate)

[227] Alice Merry, Insurance for Small Business Paper no. 43 (March 2016), International Labour Office pg 6
[228] Currency conversion as of May 10, 2015. In PHP: Premium is 450 PHP, Disaster benefit 10,000PHP, Fire 30,000 PHP, Accident 130,000 PHP, Death 20,000 PHP

Product 5	Product feature	Note, e.g. applicability in the DRC
From market/region	Ghana/Africa	Mobile usage - 75% of Ghanaians have cell phones, and mobile money usage is increasing. Good for increasing insurance awareness and introducing insurance to the population Population has limited access to financial institutions.
Name	Tigo Family Care	
Type	Term Life	
Cover	Term Life for Subscriber + 1 family member (1 month term)	
Exclusions	Must be in good health, and between 18-69 years old	
Benefit(s)	Phase 1: Ranges from USD104 to USD520, depending on how much airtime used each month. Phase 2: No free cover anymore; respective data is not on website of Tigo Ghana (see source)	
Premium	Phase 1: Basic cover is free to client, Telco pays a premium to insurer. Phase 2 (to date): Premium cost is 1,50 GHC per month from start, up-grade to double cover costs Note: Claims incidence is much lower as clients often do not know they have coverage.	
Group/individual	Group	
Others factors -	Enrolment: by Tigo agents (trained by the broker BIMA) Customers can double their insurance cover by paying 1.50 Ghanaian Cedis (GHC) (USD 0.75) per month. Tigo collects daily instalments of GHC 0.05 (US$ 0.025) from their mobile phone account (prepaid airtime). The premium is deducted over the course of the month until the full fee has been collected. BIMA promises to pay claims within 72 hours	
Eligibility	**Minimum spending in airtime of** (USD 2.60-20.80USD) for free cover/ tiered benefits	
Distributed by **Implemented by**	Tigo (MNO) BIMA (in its early years MicroEnsure)	

Source: Pranav Prashad, David Saunders and Aparna Dalal, Microinsurance Paper No. 26: Mobile Phones and Microinsurance (Nov 2013), ILO, and https://www.tigo.com.gh/content/family-care-insurance and

Product 6	Product feature	Notes (e.g. applicability in DRC)
From market/region	Gabon/Central Africa	
Name	"Wellness" (Package)	Clients like bundled products, however this one is too expensive. When a good distribution system is found this can be a product, however it would have to be modified to reach small and medium enterprises.
Type	Non-life, bundled product	
Cover	Household	
Benefit(s)	Several covers in one	Bundled products can be of interest to population. More research is required to determine which products
Premium	Family single premium less than or equal to USD 1,000 per year (per person USD 16.6 per month)	Premium too high for microinsurance market for this product, with research a better mix and price can be developed for a specific target group.
Group/individual	Group/Family	
Others	Covers fire, thief, water damage, electrical damage, liability, sickness for 5 family members. May sell via internet or other mobile platforms.	This would require technical skills of providers and legal format to permit sales.
Distributed by	Direct office company, network brokers, banks, MFIs, and others	

Source: developed by authors

Product 7	Product feature	Notes (e.g. applicability in DRC)
From market/region	Gabon/Central Africa	**This is not a package that has been developed for microinsurance markets, products should aim to cover very basic needs.**
Name	Good management (for MSMEs) (Package)	
Type	damage	
Cover	Commercial and industrial risks	
Benefit(s)	All-in-one warranties	
Premium	USD 5,000	**Too expensive**
Group/individual	Group	
Others	Covers fire, thief, water damage, electrical damage, liability, computer risks, health for maximum of 50 employees	**Could evolve if technical platforms are developed**
Distributed by	Direct office company, network brokers, banks, MFIs etc.	

Source: developed by authors

Product 8	Product feature	Notes (e.g. applicability in DRC)
From market/region	Ethiopia/East Africa	
Name	Micro-farm insurance with coupon	Would be a good product to develop in RDC, however skills need to be developed to provide this and reinsurance capacity needs to be present.
Type	Micro-farm insurance with coupon	
Cover	Crop and livestock losses	
Exclusions	Large industrial activity	This could come at a later stage.
Benefit(s)	Helping small-scale farmers reduce their risks and improve their incomes	Needs reliable meteorological data.
Premium	USD 600 per year	For Microinsurance, premiums and coverage would have to be adapted.
Group/individual	Group	
Others	Coupon insurance is one way to reduce these costs. "Unlike traditional insurance policies that require proof of damage, coupon policies use weather criteria to trigger compensation - a minimum temperature, a volume of precipitation or wind speed. The insured receives a coupon with a fixed monetary value, which will be paid to him if the climatic event occurs.	Indicators to trigger payoff have to be in place or developed. Technical capacity to pay via mobile money has to be developed. **In the DRC, at a later stage**.
Distributed by	Direct office company, network brokers, banks, MFI, NGO, etc. Requires agreement between distributors and company on each organisations respective task and responsibilities	

Source: developed by authors

Product 9	Product feature	Notes (e.g. applicability in DRC)
From market/region	Gabon/Central Africa	Similar products have worked in other countries, a short-term endowment, however it has to change from the way normal insurance companies do it to paying out most of the money back, and very little commissions.
Name	Savings for University	
Type	Endowment life	
Cover	Worker or not	
Benefit(s)	Benefits can double in 7 to 8 years, depends on inflation rate in country. It has some flexibility. Parents can borrow up to 50% of premiums paid after 12 months.	For microinsurance, can be adapted.
Premium	10-15% of net pay per month	Insurer needs skills to develop this and be efficient.
Group/individual	Group	**In the DRC, at a later stage.**
Distributed by	Direct office company, network brokers, banks, MFIs, NGOs Requires agreement between distributors and company on each organisations respective task and responsibilities	

Source: Pranav Prashad, David Saunders and Aparna Dalal, Microinsurance Paper No. 26: Mobile Phones and Microinsurance (Nov 2013), ILO and https://www.tigo.com.gh/content/family-care-insurance

Annex 6 – Mobile insurance distribution partnerships and consumer risks

The mobile phone can support many different functions in the insurance process. Mobile insurance is simple insurance products distributed with the help of the mobile phone. Of the over 120 mobile insurance deployments measured by the GSMA (2015), most are transactional mobile insurance – or insurer driven mobile insurance. In these schemes, the insurance process in parts relies on the mobile phone, e.g. for marketing, enrolment, premium or claims payment.229 Distribution via mobiles has clear advantages: it can make insurance more affordable, enables shorter-term contracts and more frequent premium collection, and supports process that otherwise may be more costly or cumbersome such as premium reminders, or claims payment.

Mobile insurance is more successful when the driver is a MNO (not the insurer). This business model is called strategic mobile insurance – or MNO driven mobile insurance. These schemes are achieving scale in several African countries like Tanzania or Ghana. Under that model it is the MNO who offers their brand and client data; and who drives the partnership with an insurance company, generally assisted by a specialised technology service provider (TSP). The TSPs helps to arrange the partnership, set up the technology platform, and to develop and market products. TSPs also support servicing e.g. information and claims management, and back-office administration.

Micro insurance customers in general face challenges and risks such as

- knowledge (the consumers may not know they have insurance; they might know but may not inform the beneficiary; they might know they have insurance but may not know where or how to claim);
- product choice (the consumers may not be offered or may not choose the right product to adequately cover their risks);
- processes (the claims process may be too complicated or cumbersome, and renewal information may not be available, accessible or understandable);
- Or risk of losing cover as the scheme may collapse.

In mobile distribution, additional risks emerge because of the business model, the digital finance approach and the challenges the type of consumer encounters. There are regulatory and supervisory challenges due to the newness of the business model and because other authorities might be involved. Furthermore, many schemes are still in an innovative stage and hence lessons are only emerging.

Some lessons from two mobile insurance schemes in Africa:

1) Define the mobile insurance product
2) Clarify the policyholder
3) Define the nature of the legal relationship and the responsibilities pertaining to all parties involved
4) Determine whether premium incidence (that is, who the premium pays) changes the risk profile
5) Assess whether there are appropriate levels of disclosure
6) Clarify if consumer recourse options are available
7) If you fail, then fail well; creating a “living will” (exit strategy)

Source: BMZ, 2015

[229] GSMA 2015

Annex 7 – Lessons from regulatory frameworks enabling microinsurance

At least 15 jurisdictions across the globe ‐ several of which in Latin America - have adopted a microinsurance specific regulatory framework. Some of are yet to be implemented, others have been in place for around 10 years. The following lessons are emerging from drafting and implementing microinsurance frameworks enabling inclusion:

- Other rules that may be issued later, for example on mass distribution, can create a regulatory conflict;
- A regulatory framework can be best implemented under a constant process of monitoring its performance and continuous adjustments;
- Separate reporting on microinsurance allows supervisors to observe growth and quality of products and services;
- Insurers may not register products under the new framework, if they see a compliance burden due to market conduct requirements meant to protect low-income consumers;
- Regulations that were developed in collaboration with the industry may not have the right mix of obligations and incentives to engage in this business line;
- A test and learn approach of the supervisor is required in fast-developing market practices, for example in the area of mobile insurance and digital distribution;
- A regulatory framework alone is not sufficient to grow inclusion, complementary efforts are required e.g. in the field of financial education and industry training.

Source: Microinsurance Network 2015, Article of the Access to Insurance Initiative (A2ii), based on 2014 data

Annex 8 – A successful insurance product for poor women

Simple Health insurance product "Caregiver" for women

The Caregiver is a simple health microinsurance product **offered by the Micro fund for Women (MFW) in Jordan.** When it was designed in 2010, the intention was to bridge the gap between the direct costs of care (largely covered by Jordan's public health care infrastructure) and the full costs faced by clients who experience a health episode (often resulting in either a failure to seek care, or in using burdensome financing strategies such as selling off productive assets).

For a **premium of just USD 1.5 per month**, clients of MFW receive coverage of a flat USD 14 per night spent in the hospital, intended to cover lost wages, transportation, and incidental expenses. The product is compulsory for all clients.

At the end of the two-year pilot in December 2012, over 90,000 clients were covered by the product, with almost 4,300 claims paid. The pilot evaluations found indications that having insurance increases health-seeking behaviour, and plans were underway to respond to the expressed demand to extend the coverage to the clients' families, particularly children.

As of 2015, 125,000 female clients were insured. Analysis of client data revealed that clients who utilised Caregiver made loan payments on time, maintained overall consumption and had an enhanced perception of themselves, clearly showing the empowerment and improvement of health status of these women. Based on the positive results of this pilot, Women's World Banking is rolling out such insurance products with more of their affiliates.

Source: BMZ, IFC and WWB: Mainstreaming Gender and Targeting Women in Inclusive Insurance: Perspectives and Emerging Lessons (Draft of November 2016, forthcoming 2017)

Annex 9 – Microinsurance Market Development in the Philippines

For a decade already, microinsurance in the Philippines has been promoted, based on the inputs of public and private stakeholders and a set of strategies and regulations. A combination of national strategies, several regulations and multi-stakeholder engagements motivated a diversity of insurers - insurance companies, cooperative insurers and mutuals - as well as distribution channels to engage in inclusive insurance. The variety of products offered in life and the non-life insurance products is also increasing. This has resulted in over 30 million insurance coverages with life products alone, while some of these also have non-life cover. The Department of Finance (DOF) and Insurance Commission (IC) were strong promoters from government.

National strategies and a multi-stakeholder approach. The Philippines MI market has been based on manifold efforts promoted by private and public stakeholders. The DOF, the IC, industry associations and MFIs, as well as the Central Bank, Cooperative Authority and local government units; and lastly, international development agencies units were joining hands to develop microinsurance. Jointly designing and implementing several national strategies for regulation and consumer education.

Regulation and supervision is a key element. The reforms were based on over 20 legal and regulatory instruments and the set-up of a dedicated supervisory structure to oversee microinsurance**.**

Element	Strategic Objectives
Phase 1: 2006 – 2009	- Circular creating Microinsurance Mutual Benefit Associations, and defining microinsurance, setting product and intermediary standards; microinsurance logo - Lighter know-your -client requirements
Phase 2: 2010 – 2013	- Joint formalisation approach across supervisors - Regulatory framework for microinsurance including regulations on agents/brokers - Financial Literacy Road Map - Lower capital requirements - Alternative Dispute Resolution - Separate performance monitoring of microinsurance
Phase 3: 2015 -onwards	- Enhanced MI Regulatory Framework regulating microinsurance intermediaries and channels, product bundling and reinsurance - MicroAgri Framework and Micro Pre-need Framework

A mutual provider type as champion. The Microinsurance Mutual Benefit Associations (MI-MBA) in the Philippines have shown that microinsurance is a viable business. They concentrated on offering life-insurance products for the clients of MFIs. After 10 years, the today 22 MI-MBAs serve more than 3 million members and their 7 million dependants, continuously adding expanding and adding services, including a pension scheme for their members. Commercial insurers were following: Out of the 112 insurance companies, 64 are now engaged in some form of microinsurance provision, however, with a few dominating insurers. Recently, the MI-MBA Champion Card MBA has set-up a new non-life company in partnership with the commercial insurer Pioneer.

The lower minimum capital requirement (PHP 5 million/100,420 USD, to be increased by 5% of premiums per annum until a target is reached) compared with the minimum capital for traditional mutuals benefit associations (PHP 12.5 million/USD 251,050). With the new insurance law (2013), new mutuals require PHP 125 million and commercial insurers PHP 550 million/USD 11.15 million); for MI-MBAs, there are also lighter corporate governance requirements.

Product diversity is increasing. The largest MI-MBA has been offering a pension scheme, and can now offer asset insurance via the Card-Pioneer partnership, which is not allowed under their mutual license. Microinsurance has been focusing a lot on life insurance in the past decade; however, recently, more non-life products were registered at the Insurance Commission.

Sources: Regulatory Impact Assessment Philippines, RFPI 2015; and A2ii-ILO 2017 Regulatory Impact Study (draft, forthcoming)

Annex 10 – Core Aspects of Regulatory Treatment for Inclusive Insurance

Aspect	Regulatory Treatment	Country Example
Risk carrier permitted	- Allow a wider range of entities to underwrite microinsurance via licensing, creating a regime for functional supervision, or formalisation	- The IC Philippines created a new tier of MI-MBA providers in 2006. Subsequently, in 2012, reduced capital requirements were introduced for insurers and brokers with at least 50% of portfolio in microinsurance. - SUSEP also introduced a microinsurance license for a microinsurance company, with lower entry and compliance requirements, under the functional approach
Product development	- Product standards for microinsurance, either based on principles such as simplicity, or by specifying product features such as policy duration, minimum covers, exclusions, premium payments, simple underwriting and a specific logo - Flexibility in product design such as permission to bundle life and non-life covers	- All countries with microinsurance regulations have some form of product requirements. However, approaches and the specific requirements vary between countries depending on country regulations and market context. - Insurance Regulatory and Development Authority (IRDA) India allowed insurers to offer microinsurance products that bundle life and non-life risks. Life insurers offering products bundled with non-life elements must enter into a tie-up with a non-life insurer in order to do so, and vice versa. - SUSEP Brazil requires a minimum one-year term and a seven-day cool-off period.
Distribution	- Ability to use a wider range of intermediaries, including non-traditional ones - Ability for intermediaries to perform a wider range of roles - Lower registration, training or qualification requirements for specialised microinsurance intermediaries - Stronger oversight of microinsurance distribution channels, including commercialisation agreement approval	- Most countries have this feature in their regulations. - Superintendencia de Banca, Seguros y AFP (SBS) Peru introduced wider distribution options in 2007 for the 'microinsurance marketer' (sales clerks, MFIs, savings/credit cooperatives, trade unions, social organisations, money-transfer services, and others) - IC Philippines allows the utilisation of dedicated microinsurance agents (with a lower training requirement) and brokers (with lower capital requirement) - SUSEP Brazil regulates the relationships between the distribution partners and has unrestricted access to agents' shops, as well as any information and documents relating to the commercialisation contract and microinsurance services offered.
Disclosure and documentation	- Permission to use alternative forms of contracts, disclosure or documentation such as electronic policies, shorter documents, graphics, etc. - Minimum requirements for disclosure to consumers - Standard policy formats with a focus on simplicity and clarity	- NIC Ghana introduced a policy summary for microinsurance contracts - SECP Pakistan's code of consumer protection for microinsurance requires: transparency for premium amounts, exclusions, premium frequency and renewability conditions; fair practices, privacy and fair disclosure; and easily accessible client recourse.
Premium collection	- Ability to use alternative means of payment and transactions - The point at which the premium is considered paid (e.g. when paid to	- SBS Peru requires that any communications or premium payments made by the client to intermediaries are considered communicated or paid to the insurer

Aspect	Regulatory Treatment	Country Example
	intermediary or when received by insurer) - Grace periods or cooling-off periods	- The IC Philippines has a 45-day grace period for microinsurance compared to 31 days for traditional insurance
Claims settlement	- Shorter claims timeline - Ability to use / requirement to accept alternative forms of documentation for verification	- IC Philippines: 10-day deadline on claims decision - SBS Peru: 20-day deadline on claims decision
Complaints handling	- Shorter response or resolution timeline	- In the Philippines, dedicated regulation has also introduced an alternate dispute resolution model to facilitate the handling of customer complaints.
Other regulatory treatment	- Lighter regulatory fee structure - More thorough supervision of the business and providers (e.g. requiring customer surveys may prove more informative than simple reliance on complaints statistics).	- IRDA India, SUSEP Brazil, NIC Ghana and SBS Peru apply a different registration process (such as faster approval) for microinsurance products - The IC Philippines has a lower fee structure and adapted administrative procedures for microinsurance providers - The IC Philippines and FSB South Africa have set-up a separate department for microinsurance with dedicated staff.
Adapted supervisory tools and techniques	- Specific reporting requirements for microinsurance business - Adapted product registration requirements - Faster product approval	- The IC Philippines, SUSEP Brazil and NIC Ghana require separate reporting on the microinsurance business line. - The IC Philippines developed the SEGURO performance standards for microinsurance providers, which specifies selected ratios and how to calculate them.

Source: Proportionate Regulatory Frameworks in Inclusive Insurance, Lessons from a Decade of Microinsurance Regulation, A2ii, 2016

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Annex 12 – Glossary of insurance terms

Agent (insurance agent): An insurance company representative who sells and services insurance contracts for the insurer; the intermediary between the insurer and the policyholder.

Beneficiary: The person who receives a life insurance benefit in the event of the policyholder's death.

Broker: Insurance salesperson that searches the marketplace in the interest of clients, not insurance companies[230]

Claims ratio: The actual claims divided by the expected claims (or risk premium). Insurers generally prefer for the claims ratio to be less than 100 percent–i.e., actual claims are less than expected claims (NIC 2015)

Client aggregator can be a MNO, a retailer, an association, a post office, whoever "aggregates" massive numbers of clients in a non-financial business.

Cover or coverage is the scope of protection provided under an insurance contract.

Electronic Money Institution: an entity issueing "Electronic money" which is stored value held in the accounts of users, agents, and the provider of the mobile money service. Typically, the total value of e-money is mirrored in (a) bank account(s), such that even if the provider of the mobile money service were to fail, users could recover 100% of the value stored in their accounts. That said, bank deposits can earn interest, while e-money cannot.[231] The e-money is issued against receipt of funds. Some countries only permit banks to issue e-money (bank-based model) whereas other countries permit nonbanks to issue e-money.[232]

Endowment product is a life insurance product with an additional savings component paid after a specific term or on death.

Formal insurance: licensed means by a competent authority legally in charge of insurance.

Informal insurance means not under such a license but provided as self-insurance or community-based pooling scheme.

Insurable loss: Eventuality for loss or damage that is (1) definable, (2) fortuitous, (3) similar to a large number of known exposures, and (4) pays a premium that is commensurate with the potential loss. See also uninsurable risk.[233]

Insurance: A system under which individuals, businesses, and other entities, in exchange for a monetary payment (a premium), are guaranteed compensation for losses resulting from certain perils under specified conditions (NIC 2015)

Insurance intermediation: The activity of soliciting, negotiating or selling insurance contracts through any medium (IAIS Glossary)[234]

Licensing: The formal authority given to an entity to conduct insurance activities under the applicable insurance legislation (IAIS Glossary)

Life insurance is "Coverage providing for payment of a specified amount on the insured's death, either to the deceased's estate or to a designated beneficiary; or in the case of an endowment policy (insurance with a savings component), to the policyholder at a specified date" (NIC 2015)

Meso level insurance covers the entire MFI and its loan portfolio, for example against catastrophe risk, not the individual borrowers.

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Mobile money (m-money or e-money): A type of electronic money (E-Money) that is transferred electronically using mobile networks and SIM-enabled devices, primarily mobile phones. The issuer of mobile money may, depending on local law and the business model, be an MNO, a financial institution or another licensed third-party provider.[235]

Non-life insurance policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event. Non-Life insurance is typically defined as any insurance that is not determined to be life insurance

Non-traditional distribution channels are MNOs, e-money providers, post offices or retailers, the mostly non-financial organisations.

Parametric insurance is a type of insurance that does not indemnify the pure loss, but ex ante agrees the amount to be paid upon the occurrence of a triggering event and its severity. The triggering events are generally natural catastrophes.

Proportional (or proportinate): A regulatory provision is deemed proportional when it is in compliance with the nature, scale and complexity of the risks inherent in insurers businesses, and does not place a disproportionate burden on insurers (as this could be the case for mainstream insurance). A proportional approach to regulating microinsurance business intends to strike a balance between enabling innovation and ensuring effective consumer protection for the low-income segment, which requires actions on both sides of the balance (Microinsurance Network 2015)

Regulation: the term is used both for legal and regulatory dispensations

Rider in an insurance policy is an additional coverage element to the main risk covered, for example, a life insurance policy can have a rider that if the policyholder is disabled, premiums will be paid by the insurer.

Traditional distribution channels are agents and brokers, banks, MFIs and cooperatives

Underwriting: Process of selecting risks for insurance and determining in what amounts and on what terms the insurance company will accept the risk..

[235] http://www.afi-global.org/sites/default/files/publications/2016-08/Guideline%20Note-19%20DFS-Terminology.pdf