ACTUARIAL SOCIETY OF SOUTH AFRICA

Microinsurance Regulation in South Africa

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Agenda

1. Objectives of microinsurance regulation
2. Product restrictions and prudential requirements
3. Role of the actuary and Microinsurance Actuarial Technician
4. Next steps

Objectives of Microinsurance Regulatory Framework

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- Expand access to formal insurance products to low income consumers
- Lower barriers to entry and facilitate transition of informal players to formal market
- Reduce costs and limit requirements to use experts

Lighter regulation is justified by limiting the risk through prescriptive requirements

Product Restrictions

- ***Risk only:*** no savings and simpler asset liability matching
- ***Sum assured basis:*** no indemnity cover
- ***One year term:*** can review premiums annually
- ***Maximum sum assured:*** limits on large claims

Underwriting risk and asset-liability risk is reduced through the product definitions

Prudential Regulation

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- ***Provisions*** calculations on short-term insurance and group life basis (formula driven)
- Short-term liquid ***investments*** (limited credit and market risk)
- ***Capital requirements***
  - Minimum capital R3 million
  - 15% of net written premium (provides for underwriting and operational risks)

No annual sign-off of the financial soundness of the microinsurer by an actuary

Role of the Actuary

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Premiums for microinsurance products must be signed-off by a *Associate* approved by the Actuarial Society (Microinsurance Actuarial Technician)

- Professional Requirements
  - Technical competence at the associate level
  - Experience and knowledge of microinsurance environment
  - Professionalism
- Prescriptive guidance
  - Professional Guidance Note (Standard of Actuarial Practice)

Next Steps

- Development of the Professional Guidance Note and practice module

- Comments on technical aspects of the Microinsurance Bill (should be tabled in 2013)

- Consider TCF issues relating to microinsurance