



**MICRO-INSURANCE
CONSULTATION PAPER
2019**

**The Financial Services Commission
39-43 Barbados Avenue
Kingston 5, Jamaica, W.I.
Telephone: (876) 906-3010**

March 2019

FINANCIAL SERVICES COMMISSION PROPOSALS ON MICRO-INSURANCE: CONSULTATION PAPER

1.0 INTRODUCTION

- 1.1 The purpose of this paper is to outline the proposed rules to be utilized in the micro-insurance framework, these rules are intended to ultimately become regulations.
- 1.2 The Financial Services Commission (“FSC”) invites comments from the Insurance Industry on the recommendations set out in this paper.

2.0 BACKGROUND

- 2.1 With micro insurance forming a part of Jamaica’s National Financial Inclusion Strategy, a Concept Paper was submitted to the Ministry of Finance and Planning in 2017. The Concept Paper provided the rationale to amend the insurance legislation to allow the insurance industry to conduct microinsurance business in Jamaica. The paper also addresses essential factors that must be considered by the FSC in order to achieve its objectives of prudential supervision of the insurance industry. The Concept Paper also made recommendations that laid the foundation for the drafting of a legal and regulatory framework aimed at enabling the development of the micro insurance market in Jamaica.
- 2.2 This discussion paper proposes legislative framework that will be utilized in the development of micro-insurance Regulations.

3.0 Proposed Microinsurance Rules

3.1 Definitions

- 3.1.1 “**Microinsurance Institution**” means a body corporate that is not an insurer, and which has a formal contract with a particular insurer that is registered to do business in microinsurance, authorizing the microinsurance institution to sell, solicit, distribute and provide advice with respect to microinsurance products of the insurance company. Microinsurance Institutions are exempt from compliance with section 70 of the Insurance Act.
- 3.1.2 “**Microinsurance Business**” means a “*the business of providing insurance coverage dedicated to the lower income earners*”, in which the insurer, agrees to pay the insured party all or a portion of any loss suffered as a result of the materialization of specific perils that are covered under all classes of business under section 3(1) of the Insurance Act, in exchange for regular premium payments proportionate to the likelihood and cost of the risks involved. The following are some of the main features of the Microinsurance Business:
 - (a) the insured belongs to the low income or underserved population;
 - (b) the perils covered, if materialized, would severely impact the insured’s livelihood;
 - (c) the annual premium should not exceed more than the minimum monthly wage pursuant to the current National Minimum Wage Act; and

(d) The policy duration should not exceed one year but may be renewed at the end of each year.

3.1.3 “Microinsurance Policy” means any instrument by which the payment of money, or pecuniary benefits, or in-kind benefits or other form of services on occurrence of a contingency classified as microinsurance (business), or any instrument, printed, electronic or taped evidencing a microinsurance contract issued by an insurer. Characteristics of the microinsurance policy are specified in the Microinsurance Guidelines.

3.1.4 “Microinsurance Manager” means any employee of a microinsurance institution who, with the agreement of the microinsurance institution, is designated by an insurer to be responsible for any or all of the following activities: selling, promoting, calling on policyholders for the collection of premiums, offering advice with respect to the insurer’s microinsurance products and carrying out other related activities for that insurer with respect to the insurance activities of the particular microinsurance institution.

3.1.5 “Microinsurance Guidelines” means the Guidelines issued by the Financial Services Commission (the Commission) in respect of Microinsurance Business.

3.1.6 “Bundled Microinsurance Product” means an insurance product that comprises two or more microinsurance policies of separate classes that are sold together as a single microinsurance product.

3.1.7 “Commission” means the Financial Services Commission.

3.2 Proposed Rules

3.2.1 (a) Any registered insurer in Jamaica or any corporate person may apply to be registered to transact microinsurance business, subject to the Commission being satisfied that the applicant has a business plan pertaining to microinsurance business which is viable and sustainable, with an accompanying opinion to that effect by an actuary, auditor or other specialist acceptable to the Commission.

(b) The applicant shall meet the registration requirements pursuant to the insurance Act, the Insurance Regulations, 2001 and these regulations.

(c) A person seeking registration to do **microinsurance business only** may be registered to do business in both long term and general insurance classes of business.

3.2.2 The contract between an insurer and a microinsurance institution, shall stipulate that the insurer must be satisfied that the microinsurance institution has in place policies and procedures satisfactory to the insurer, designed to reasonably ensure that the microinsurance manager:

a. has the appropriate level of competence in microinsurance business;

b. has an appropriate level of knowledge with regard to the microinsurance products involved;

c. has the competence to provide advice with regard to such products; and

- d. is trustworthy and that there is no information available to the insurer or to the microinsurance institution to suggest that the individual is not a fit and proper person who should not be appointed as a microinsurance manager with regard to microinsurance products.
 - e. has the competence to employ proper risk management procedures.
- 3.2.3** The insurer undertakes the responsibility for verifying that the requirements set out in paragraph 3 above are met and being applied by the microinsurance institution on a continuing basis.
- 3.2.4** An insurer shall maintain up-to-date lists of its microinsurance institutions and microinsurance managers, which it shall file with the Commission from time to time as directed by the Commission. Any change to the lists should be filed within 30 days of the date that the change was made. The insurer should publish the lists on its website and make them available for public scrutiny.
- 3.2.5** A microinsurance institution may promote, sell and provide advice with respect to microinsurance products through its microinsurance manager or through an agent of the insurer or broker or other agents with which it has a contract.
- 3.2.6** Every contract between an insurer and a microinsurance institution shall contain a provision which stipulates that if an employee, officer or director of a microinsurance institution becomes aware that a microinsurance manager does not meet the provisions of paragraph 3, that employee, officer or director, respectively, shall immediately notify the principal officer of the microinsurance institution, the principal officer of the insurer with which it has the contract, and the Commission.

The employee, officer or director or former employee, officer or director of the microinsurance institution shall not be regarded as being in breach of their duty of confidentiality to the microinsurance institution in consequence of any report made in compliance with this paragraph.
- 3.2.7** If at any time an insurer becomes aware that a microinsurance manager does not meet the requirements of paragraph 3, the insurer shall forthwith remove the name of that microinsurance manager from its list of microinsurance managers and notify the Commission accordingly, within 30 days. Failure to comply with this section is an offence. This lack of due diligence is a breach and subject, on conviction in a Parish Court, to a fine of up to \$3 million or 3 years in prison or to both such fine and imprisonment.
- 3.2.8** The contract between the Microinsurance Institution and the insurer shall include at least the following conditions:
 - a. The microinsurance institution will maintain, to the satisfaction of the insurer and in recognition of any specific requirements of the Commission as specified in the Microinsurance Guidelines, timely and accurate financial records specified by the insurer, designed to enable the insurer to properly account for the microinsurance business of the insurer;

IR-CONSUL-19/03-0018

- b. The microinsurance institution shall make available to the insurer any records or other information which may from time to time be requested of the insurer by the Commission with regard to the insurer's microinsurance business.
 - c. The microinsurance institution must operate a business establishment with adequate human resources that is capable of providing satisfactory customer service to policyholders.
 - d. The microinsurance institution's commitment to offer microinsurance products in strict compliance with the instructions given by the insurance company.
 - e. Information given by the microinsurance institution in respect of the microinsurance policy shall have the same effect as if it was given by the insurance company.
 - f. Microinsurance premiums collected by the microinsurance institution shall be deemed to be received by the insurance company.
 - g. The insurer is bound by the microinsurance institution, which is its agent, and so may be liable for damages from errors or omissions arising from microinsurance marketing or selling, committed by the microinsurance institution.
 - h. The insurer's commitment to train the staff of the microinsurance institution in the nature and marketing of microinsurance policies.
 - i. The microinsurance institute's commitment to distribute the marketing material, for example the microinsurance product brochures, among potential policyholders in order to promote and explain the product.
- 3.2.9** No insurer may advertise or distribute a policy of microinsurance unless it has been approved by the Commission pursuant to section 90 of the Insurance Act.
- 3.2.10** In reviewing any policy of microinsurance business for the purpose of approval pursuant to paragraph 10, the Commission shall have particular regard for fair treatment of policyholders, as specified in the Insurance Regulations 2001 and Market Conduct Guidelines.
- The insurer shall comply with regulation 122 of the Insurance Regulations, 2001, in the development and issuing of microinsurance policies.
- 3.2.11** The Commission may, if it is satisfied that such action would be in the public interest:
- a. require an insurer to terminate any particular contract with a microinsurance institution, or to require that contract to be made subject to any conditions specified by the Commission;
 - b. prohibit any insurer or all insurers from appointing a particular individual as a microinsurance manager;

- c. require an insurer to amend its policies or procedures, as required by paragraph 3 with regard to the standards for microinsurance managers , or to more diligently enforce those standards.

3.2.12 The Commission may:

- a. refer any officer or director of an insurer to the Director of Public Prosecutions if it has evidence that the officer or director was aware that a microinsurance manager was not meeting the provisions of paragraph 3, but did not take steps to immediately notify the Commission.
- b. consider an insurer to have committed an offence under the Insurance Act if it fails to comply with the provisions of these regulations.

3.2.13 The Commission is authorized to issue directions to insurers with regard to:

- a. the requirements for registration of insurers to transact microinsurance (business);
- b. specifications of additional definitions or modification to definitions contained in this regulation;
- c. the appointment of microinsurance managers;
- d. other requirements with regard to the conduct of microinsurance business by insurers; and such other matters as are directly related to the carrying on of microinsurance business.

3.2.14 For the purpose of these Regulations, the Microinsurance Guidelines shall provide guidance on the procedures to be adopted by insurers in conducting microinsurance business.

3.2.15 Nothing in these Regulations or the Microinsurance Guidelines shall be taken as:

- a. requiring a registered insurer to determine whether any individual person, whether policyholder, potential policyholder or otherwise, is within the targeted economic segment;
- b. preventing the purchase of a microinsurance policy by a person who is not within the targeted economic segment;
- c. affecting the status of a policy as an approved microinsurance policy if the policy is purchased by a person who is not within the targeted economic segment.

3.2.16 Unless expressly provided otherwise, a bundled microinsurance product shall be treated as a single microinsurance policy.

3.2.17 Every registered insurance company that is engaged in the business of microinsurance only, shall deposit with the Commission a minimum sum of Ten Million Dollars from commencement of operation.

Applications for registration should comply with sections 6 to 10 of the Insurance Act, 2001 and Regulation 6 of the Insurance Regulations, 2001.

IR-CONSUL-19/03-0018

3.2.18 The minimum paid up and unencumbered capital, surplus, reserve or equivalent fund required of a company applying to be registered to do microinsurance business only, shall be Ten million Dollars.

In each year after registration, a company carrying on microinsurance business only, must have Required Assets in an amount equal to total liabilities plus the minimum amount of capital required to satisfy a minimum asset to liabilities ratio of 110%.

3.2.19 On receipt of a claim under an approved microinsurance policy, a registered insurer shall settle the claim within 5 working days of receiving the documents and information supporting the claim.

3.2.20 The Insurance Regulations, 2001 are to be consulted for guidance on matters not prescribed in these regulations.

The FSC invites comments and suggestions from interested parties regarding the content of this document. The deadline for submission of these comments is April 30, 2019. Please direct your comments to:

**Senior Director, Insurance
Financial Services Commission
39-43 Barbados Avenue
Kingston 5
Telephone (876) 906-3010
Facsimile (876) 906-3018
Email: insurance@fscjamaica.org**