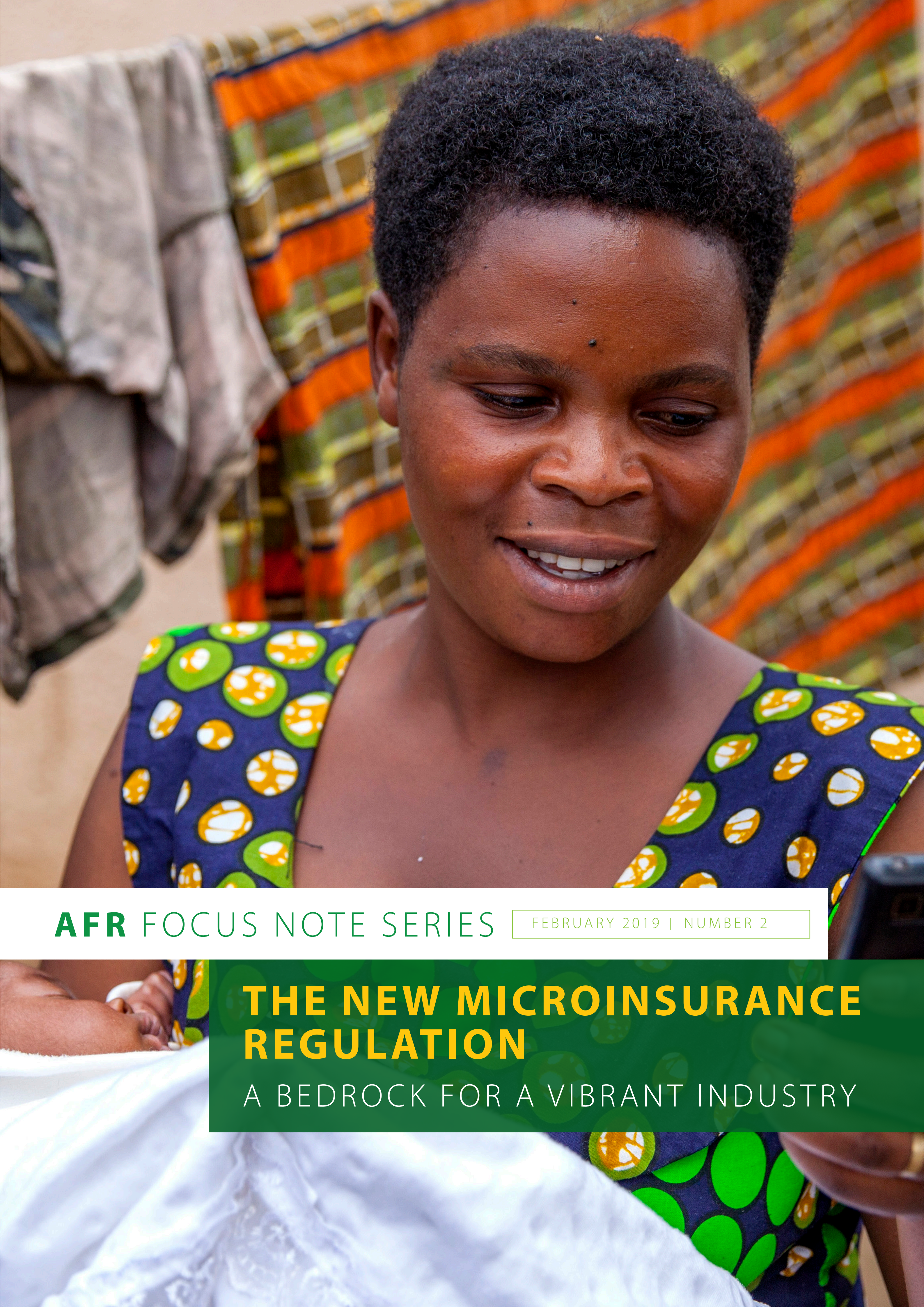

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THE NEW MICROINSURANCE REGULATION

A BEDROCK FOR A VIBRANT INDUSTRY

Only 9% of the Rwandan population have insurance

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Introduction

Click

on the link below to access the new Microinsurance Regulation:[1]

The new Microinsurance Regulation was gazetted on 24^{th} December 2018, paving the way for a greater year 2019 in anticipation of developing and unveiling products tailored for the underserved market in Rwanda.

The Rwandan insurance industry offers to its customers' conventional insurance products under two classes of insurance known as General and Life. The insurance sector is supervised and regulated by the National Bank of Rwanda (BNR). The market space also counts ten General and four Life insurance private companies[2]. Despite this number of players, the "Monetary Policy and Financial Stability Statement" issued on 6^{th} March 2018 by BNR, reported that insurance penetration (gross written premium relative to GDP) is still below 2% of the national GDP. This was also backed by the FinScope 2016[3] report, which revealed that only 9% of the adult population in Rwanda had subscribed to an insurance product.

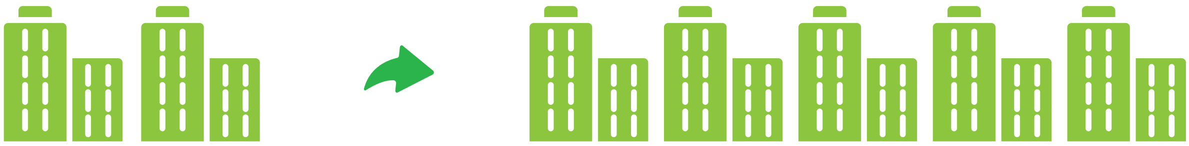
[1] http://afr.rw/IMG/pdf/regulation_no_2100__2018_-_00012_614_of_12_12_2018_of_the_national_bank_of_rwanda_governing_the_organisation_of_microinsurance_business.pdf
[2] https://www.bnr.rw/fileadmin/AllDepartment/LIST_OF_LICENSED_INSURERS_30.5.2017.pdf
[3] FinScope_Rwanda_2016_Report

The landscape and need

Microinsurance is referred to as a mechanism to protect poor people against risk in exchange for insurance premium payments tailored to their needs, income and level of risk.[4]

The Landscape of Microinsurance in Africa conducted by the Microinsurance Network and Munich Re Foundation in 2015[5] and Finscope 2016[6] conducted by AFR opened discussions on Microinsurance in Rwanda. The studies revealed that the Microinsurance in Rwanda is still at its infant stage:

2014 **2016**



Two insurance companies 14% of insurers **Five insurance companies 36% of insurers**

The market has remained virtually stagnant since 2014 with about 145,000 clients insured, and a paltry growth at 3% in two years later.

From 2009 to 2016, the Regulator's annual reports regularly recorded continuous underwriting losses from all registered insurance companies who were repeatedly requested to recapitalise to maintain financial solvency requirements. In order to maintain stable and sound financial sector, the insurance regulator issued the following directives:

Directives

29th July 2009:
Insurance businesses were required to be separated into two different categories: Life Insurance for long-term business and General Insurance for short-term business, putting an end to composite companies.

23rd February 2017:
A moratorium was issued stopping issuance of license for new Insurance Companies,

21st December 2018:
Capital licensing requirements for insurance companies was raised from Rwanda Francs one billion to two billion for Life Insurance and three billion for General Insurance.

The regulations in existence did not provide for a focus on low-income clients which saw insurance companies competing for wealthier segments, exposing themselves to fierce competition and unfair undercutting of premiums.

[4] ILO's Microinsurance Innovation Facility, 2008
[5] The Landscape of Microinsurance in Africa, Microinsurance Network 2015
[6] FinScope_Rwanda_2016_Report

The opportunity

New digital solutions are currently being explored to develop the insurance market in Rwanda

There is a growing evidence that Microinsurance is changing the insurance landscape in developing countries by addressing the challenge of insurance penetration, efficient risk management and contributing to breaking the cycle of poverty.

While the insurance players in Rwanda recognise the business potential of the sector, there is an expressed need for skills development, a conducive environment as well as practical business models that can be tested locally.

The microinsurance distribution space is evolving and players appreciate the benefits that can be derived from the use of technology. This has subsequently seen emerging partnerships with Mobile Network Operators (MNOs) and Fintechs on exploring digital solutions aimed at increasing market penetration. The deployment of technologies is anticipated to improve client value and effectively distribute microinsurance products.

As insurers continue to embark on developing new and innovative microinsurance products, government initiatives such as the Community-Based Health Insurance Scheme (commonly known as Mutuelle de Santé), the National Agriculture Insurance Scheme and the Long Term Savings Scheme – "Ejo Heza" (Brighter Future), are focusing on the underserved segment of microinsurance and micro pension.

As such, the underserved market segment will start to appeal to the private sector players due to the government investment in the public awareness on risk mitigation and ensuring a dignified old age.

"Insurance as a risk mitigation mechanism, if well designed and distributed, reduces low-income vulnerability and stimulates economic growth."

Craig Churchill
Chair of the Microinsurance Network[7]

[7] 14th International Microinsurance Conference, November 2018

AFR intervention

Because of the urgent need to create a conducive business environment for Microinsurance, AFR entered partnership with the Rwanda National Bank in 2017 to develop regulations tailored to development and operationalisation of Microinsurance in Rwanda.

The Microinsurance Regulation opens the market to existing players that are interested in expanding their business and new ones interested in entering the microinsurance business considering the conducive regulatory framework.

The new opportunities offered by the Microinsurance Regulations include:

The registration of new microinsurance companies will require a paid up capital of Frw 200,000,000 (USD 227,273) for one class of insurance, said either life or non-life microinsurance business and Frw 300,000,000 (USD 340,909) for composite microinsurance business.

The registration of existing life or general insurer to microinsurance business has been soften to provision of board resolution, availability of capital dedicated to microinsurance, summary of terms and conditions of the microinsurance policy and commission and fees to be paid to intermediaries.

The validity of license once awarded by the Regulator shall remain valid until revoked.

In addition to the existing intermediaries, a dedicated microinsurance company may appoint cooperatives, non-profit organisation and other competent persons as agents of microinsurers.

AFR will continue to support initiatives that strive market development and access to financial services for the informal and low-income segment to contribute to the government Vision 2020, as to increase insurance penetration to 7%.

“The new microinsurance regulation is a sign that our market is developing. It also mean that the new regulation draws the doors open wide for products development targeting the informal sector and low-income market segment. For existing insurers, this is an opportunity to leverage on the existing infrastructure and experience to be innovative. There is a glaring hope that the first entrants will gain advantage to position themselves at an early stage.”

Mr Gaudens Kanamugire
CEO of MUA Rwanda Insurance Company Ltd
and Chairperson of Rwanda Insurance Association (ASSAR)

“It’s a very good move to have Microinsurance regulation finally gazetted. Insurers should get prepared to serve the unserved or underserved population by providing them microinsurance products. This is going to increase insurance penetration rate that has been for many years stagnant at below 2%. We are grateful that the National Bank of Rwanda has put in place this regulation. There is no doubt that the regulator will continue being proactive in helping the insurers serve the unserved market segment particularly low- income earners.”

Mr Marc Rugenera
CEO of Radiant Insurance Company Ltd.

“Those that could be targeted by Microinsurance are often left aside by conventional insurance. This Microinsurance Regulation therefore gives them justice by providing opportunity for products that target them.”

Mr Gregoire Minani,
CEO of Prime Life Insurance Company Ltd.

Through a coordinated and systematic approach, AFR will continue to make a major contribution to enhancing the availability of quality insurance products and services for underserved or unserved low-income populations. A delicate balance is needed for microinsurance to thrive with mutual trust and understanding being central between the supplier and the user.

We look forward to a vibrant Microinsurance Industry in Rwanda.

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