Saint Lucia Regulatory Environment
Challenges for Micro Insurance

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Regulation and Supervision of Insurance is in keeping with the Insurance Act, Cap 12.08 of the 2008 Revised Laws of Saint Lucia and the associated Regulations;
Pertinent Definitions

“Carrying on insurance business”:-

includes the receipt of proposals for or the issuing of policies of insurance in Saint Lucia or the collection or receipt in Saint Lucia of premiums on policies issued in Saint Lucia by an insurer or through an insurance agent or as an insurance agent but does not include—

(a) the collection or receipt in Saint Lucia of renewal premiums under a policy issued outside of Saint Lucia to a person resident outside Saint Lucia at the date of issue of the policy and who is temporarily resident in Saint Lucia; or

(b) the making of payments due under any such policy
Pertinent Definitions

- **“General Insurance”**
  - means any class of insurance business other than long-term insurance business

- **“long term Insurance Business”**
  - includes insurance business of all or any of the following classes—
    - (a) ordinary long term insurance business;
    - (b) industrial life insurance business;

- **“Insurance Business”**
  - the business of the undertaking of liability under policies to make good or indemnify the insured against any loss or damage including liability to pay damages or compensation contingent upon the happening of a specified event;
Key Regulatory Provisions

- Sec 10(1) stipulates “subject to this Act, a person shall not carry on insurance business in Saint Lucia, unless that person is a company, or an association of underwriters, and registered under this Act;

- Company may be registered only where the Registrar is satisfied that all the requirements of the Act governing registration have been complied with;

- Every company registered under the Act would be issued a prescribed certificate of registration stating the class or classes of insurance for which the company is registered

- Allowable classes of insurance business are specified in Schedule I to the Act
Constraints / Issues

- The definitions of the various classes of insurance under the Insurance Act do not capture Parametric Insurance;
- The statutory accounting reporting forms do not capture this class of business;
- The classes of Insurance business must be clearly stated on all certificates of registration for insurance companies. As this class of business is not captured under the existing legislation this presents a challenge.
In order to be registered for conducting any class of insurance business, the insurer must provide evidence that it has met the requirements (duly qualified personnel) to underwrite such class of business. Thus, any new insurer wishing to sell this type of product must provide evidence that the staff/salespersons are duly trained in that class of business. 

Given the nature of parametric insurance, the traditional qualifications in insurance do not cover this type of business and special training is required.
Resolving the Conflicts

- classifying parametric insurance as a sub-class of property insurance;
- could be a challenge as the product does not provide indemnification and basis risk is largely ignored;
- include a definition for parametric insurance to the Act;
- amend the accounting reporting forms to capture parametric insurance
Product Review

- From a Regulatory perspective parametric insurance is a unique and very different product to review and regulate.

- being the first of its kind to be introduced into the local market, the Regulator’s Office had to ensure:
  - there was full appreciation of how this product would operate; and
  - how it might impact policyholders and the market in general.

- worked very closely with the insurance company during the product review stage and held several meetings with the company with a view to addressing any regulatory concerns and ensuring that the policyholders’ interest was guarded.
Distribution Channel

- The Insurance Act Chapter 12.08 prohibits the paying of commission to non-registered intermediaries;
- to facilitate ease of distribution, the Regulator’s Office permitted the insurer paying an administrative fee to the distributors (credit unions) for their handling of the enrollment and renewal of beneficiaries’ accounts
Pricing

- Though current legislation does not directly regulate prices, the legislation requires an actuarial assessment on most traditional products to ensure that the proposed prices are feasible.

- Whilst it is important that the price set for micro-insurance products meet the objective of making the product affordable to the target market (low income persons), ensuring that the price is sustainable for the insurer is also critical.

- The regulator recommended to the Minister of Finance the granting of a waiver of the premium tax on this product; a response is awaited.
Pricing

- Should the recommendation be approved:
  - the waiver of the premium tax on this product will reduce the cost of premium for the policyholder;
  - will contribute towards attaining a sustainable price; and
  - positively impact the overall reach of the product.
Market Experience

- The LPP product was officially launched on May 29, 2013;
- Prior to the official launching, there had been a number of training sessions conducted by the insurer in collaboration with the consortium to sensitize the staff and members of the main distribution channels; Credit Unions, Cooperatives and Financial Institutions.
- Given the uniqueness of the product the insurer also engaged in face to face meetings in various targeted communities with a view to provide an understanding of how the product works, in particular the trigger events.
Market Experience

- some bottlenecks in the initial roll-out period mainly due to administrative issues with some of the credit unions; for example the process of board approval before official sign-on.
- As the policy facilitates direct sale to individuals, the insurer was able to provide direct cover to persons whilst some of the credit unions addressed those administrative issues;
- Non-members of credit unions are able to access the product
Market Highlights

- On December 24, 2013 Saint Lucia was impacted by a frontal trough system which caused widespread flooding and loss of properties;
- This event triggered payouts under the LPP in both the north and south of the island;
- Payouts were made within 14 days of the trigger event;
- The insurer was able to capitalize on this event due to the speed of the payouts and increased its advertising campaign;
- The insurer has reported that subsequent to the trigger event there has been a continued increase in sales of the LPP in respect of both the distribution channels and direct clients