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Published by:

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH



# Regulatory Impact Assessment Inclusive Insurance Mongolia



Study Report  
GIZ RFPI Asia  
August 2017



Regulatory Impact Assessment  
Inclusive Insurance

**M O N G O L I A**

## Message from Dr. Antonis Malagardis, Program Director, GIZ RFPI Asia

Congratulations to the Financial Regulatory Commission of Mongolia (RFC) for taking the journey to evaluate the implementation of its regulations on Microinsurance using the tool, Regulatory Impact Assessment (RIA) on Microinsurance.

This tool, produced by GIZ RFPI Asia, is a systematic and focused methodology to determine the impact of policy and regulatory reforms to microinsurance market in three impact areas, ie. Market Development, Institutional Development and Client Value. RIA was first applied in the Philippines in 2014, then afterwards, RIA were implemented in other MEFIN countries, including Pakistan in 2015 and Nepal and Indonesia in 2017. Through RIA, key stakeholders in the financial inclusion and insurance are involved and engaged in determining how the financial inclusion national strategy and microinsurance regulations can move forward to further develop the inclusive insurance market.



The conduct of RIA is one of the services of the Mutual Exchange Forum for Inclusive Insurance (MEFIN), a Network of insurance regulatory authorities in Asia working for a peer-to-peer exchange of knowledge and experiences with the insurance industry. The MEFIN Network Technical Working Group on Regulation and Supervision (TRS), which is leading the implementation of RIA, ensures that technical experts are available, working alongside the regulators, to support them in advancing inclusive insurance solutions especially targeted for the low income and the informal sectors.

We are looking forward that the RIA conclusions and recommendations discussed in the multi-stakeholders' dialogue and are documented in this RIA report will further enhance FRC's effort to make inclusive insurance initiatives in the country in providing more value and relevance to the low income and informal sectors especially in the area of financial literacy and consumer protection.

The GIZ RFPI Asia, together with the MEFIN Network, will continue to support the member countries in implementing its regulatory reforms and creating positive impact of regulation and supervision that will encourage more participation of the private sector and creating better access of insurance to the low income and informal sectors. GIZ RFPI Asia is in the process of developing similar regulatory instruments such as for microinsurance market performance monitoring and for increasing insurance awareness and literacy.

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## Abbreviations

DB	Asian Development Bank
AFI	Alliance for Financial Inclusion
BoM	Bank of Mongolia
CP	Consumer Protection
CRC	Communications Regulatory Commission
FGD	Focus group discussions
Finlit	Finlit
FRC	Financial Regulatory Commission
GDP	Gross Domestic Product
GIZ	German International Development Agency
IBLI	Index-Based Livestock Insurance
ICT	Information communication technology
ILO	International Labour Organization
IMF	International Monetary Fund
ITPTA	Information Technology Post and Telecommunications Authority
MEFIN	Mutual Exchange Forum for Inclusive insurance
MIA	Mongolian insurance association
MNO	Mobile network operators
MOF	The Ministry of Finance
NBFI	Non-bank financial institutions
NGO	Non-government organization
NRSO	National Registration and Statistics Office
NSO	National statistical office
RFPI	Regulatory Framework for Pro-poor Insurance Markets
RIA	Regulatory Impact Assessment
SCC	Savings and credit cooperatives
SME	Small and Medium Sized Enterprise
UNDP	United Nations Development Programme
VAT	Value added tax

# Executive Summary

## Background

This regulatory impact assessment (RIA) in inclusive insurance is the first in implementing in Mongolia. GIZ RFPI has carried out similar RIAs in the Philippines and Pakistan before. Drawing on other RIA methodologies, the RIA was specifically developed for testing with MEFIN member countries. Considering the current stage of inclusive insurance development in Mongolia, the regulation implementation assessment was carried. The analysis was made using similar methods and tools previously applied in other countries' assessments such as organizing focus group discussions and interviews, gathering statistics and reviewing literature.

## Policy, Regulation, and Strategy

Inclusive insurance is a recent term in Mongolian insurance sector that integrated in its regulation in 2014. Currently, "Special licensing, licensing, and registration rule for insurers and intermediaries", 2015 is the only regulation that include inclusive insurance. The following key elements are stated in the regulation.

- (1) the inclusive insurance definition
- (2) the criteria for inclusive insurance product

## Private sector engagement

There are totally 15 insurance companies have been operating in Mongolia. All commercial insurance companies are allowed to develop and launch inclusive insurance products in Mongolia if the designed products meet with the criteria for the inclusive insurance product. As of June 2017, there are the following 3 inclusive insurance products are registered at FRC.

- ✓ Children's accident insurance, a product of Ulaanbaatar City Insurance LLC;
- ✓ "EASY" ger, house, and fence insurance, a product of Monre Insurance LLC;
- ✓ Comprehensive apartment insurance, a product of Khaan insurance LLC.

Technological advances are not yet applied in insurance sector. However, the development of information technology is getting high in Mongolia. The mobile telecommunications network covers 95 percent of the population and 2.3 million users (69.1%) have smart phones.

**Formalization:** Informal insurance is not widely practiced in Mongolia.

**Financial literacy (Finlit):** Low level of Finlit is a challenge in developing inclusive insurance market in Mongolia. The regulators have a good understanding of the necessity of Finlit. "Finlit program" has been approved jointly by The Ministry of Education, MOF, FRC, and BOM in 2015. The program is implemented between 2016- 2021. The program aims to provide financial education specific topics including insurance, life insurance, and social insurance. There are no other finlit activities regarding inclusive insurance in Mongolia.

**Consumer protection:** There is no CP mechanism in Mongolia. The government of Mongolia has approved CP program 2016-2020 in 2016. The program aims to provide regulatory environment that protects the interest of Mongolian citizens as consumers and improve the social responsibilities of suppliers. However, the program does not mention any article related to insurance sector.

## Strategic recommendations

### *Strategic area 1 – Private sector participation*

Specific area	Recommendations
Expansion	Continuous promotion and information provision of inclusive insurance by policymakers and MIA is important as insurers will gain an understanding of benchmarks and potential for success. If the insurance providers can cooperate and share their common costs (i.e. data, raising public awareness, and training) they may be able to expand their market.
Insurers' capacity	There is a lack of inclusive insurance knowledge among insurers. Training programs through the insurance training institute designed to train on inclusive insurance specific issues could be helpful.
Commissions	More innovative distribution using large aggregators such as cooperatives and MNOs will be important to manage commissions so that products remain affordable and continue to provide value to clients.
Product variety	The supervisory system does not make special allowance for the establishment of pilot schemes offering innovative products to inclusive insurance markets. Pilot schemes could be helpful for increasing product variety.
Distribution channel	Explore partnership with potential large aggregators such as coops member-based organizations and entities with broad network such as MNOs and consumer stores.  It is important to introduce technology as a distribution channel. The FRC may cooperate with other government agencies such as ITPTA to make this happen.

### *Strategic area 2 – Regulation and supervision*

Specific area	Recommendations
the inclusive insurance definition	<p>Clearer definition of inclusive insurance is needed as some RIA FGD participants pointed out. According to the participants, affordable can be specified by setting interval (amount) or cap (percentage of minimum salary level etc.) of inclusive insurance premiums. Some mentioned that 5 exclusions restricts products for the mass to register as an inclusive insurance. The FRC should study other countries' definitions and modify the definition adjusting to Mongolian context.</p> <p>For example, inclusive insurance can be defined clear by including both quantitative and qualitative definition. Quantitative definition can be setting premium cap and maximum coverage for inclusive insurance. Qualitative criteria are related to the client type, contract features and product details, namely:</p> <ul style="list-style-type: none"> <li>✓ The insurance business activity of providing specific insurance products that meet the needs of the disadvantaged for risk protection and relief against distress or misfortune.</li> <li>✓ Contract provisions that are to be easily understood by the insured, such as simple documentation requirements, and a manner and frequency of premium collections that coincide with the cash-flow of, or are otherwise not onerous for, the insured.</li> <li>✓ Requires inclusive insurance policies to clearly identify the face amount, benefits, and terms of the insurance coverage.</li> <li>✓ Defines rules on product bundling.</li> <li>✓ Evaluation of performance of providers based on Performance Standards.</li> </ul> <p>The use of the Inclusive insurance logo in the policy contracts can be helpful for customer to easily recognize inclusive insurance. This could be a good marketing for inclusive insurance.</p>

Regulation that promotes private sector participation	Regulation should maintain private sector participation in inclusive insurance market. For example, other countries such as the Philippines implement different capital treatment for those insurers and brokers who provide 50% of their portfolio in inclusive insurance.
Product-related rules	The product-related rules issued refer to the needs of the target market that must be considered for inclusive insurance products. Importantly, they also define rules for the policy, such as standard contract, bundling, the use of a logo, product re-approval, documents required and the payments.
Alternative dispute resolution in inclusive insurance	It is important to implement alternative dispute resolution in inclusive insurance. It sets out the qualifications of mediators-conciliators, and their training, responsibilities and code of conduct. It also describes the principles and procedures of claims-related dispute resolution mechanisms which should be least cost, accessible, practical, effective and timely. Last but not least, it emphasizes CP as well as the protection of the insurance industry against illegitimate claims. The FRC should be moving toward this by being closer to this system step by step. This could start from making research regarding this and prepare its capacity.
FRC staff training in inclusive insurance	Training of the staff of the FRC would benefit from a comprehensive approach and systematic planning and implementation, based on a thorough needs assessment. Training – in various forms, for all staff in touch with inclusive insurance, and about a variety of topics – will be a central element for the FRC in facing the challenges of the growing inclusive insurance market with focus on inclusion.

**Strategic area 3 – Formalization: We consider informal insurance is not an issue in Mongolia.**

***Strategic area 4 – Finlit***

Specific area	Recommendations
Finlit	The FRC needs to design Finlit strategy for inclusive insurance and implement specific Finlit measures in line with the strategy. Target-group oriented and thematic Finlit efforts, as well as follow-up campaigns, are a way to “go deeper” in improving Finlit.

***Strategic area 5 – CP***

Specific area	Recommendations
Consumer protection	The FRC needs to develop CP mechanism by studying practices of other countries.

**Mongolia: Indicators in the three RIA Impact Dimensions**

	<b>Indicator</b>	<b>Value (end of Dec) 2014-2016</b>	<b>Self-rating*</b>
<b>Market development (quantitative data)</b>	# Insurers engaged in inclusive insurance	Life=0, Non-life=2	Good Progress
	# Intermediaries licensed exclusive for inclusive insurance	2014= 0, 2015=0, 2016=0	Significant improvement required
	# Inclusive Insurance Products approved	2014=0, 2015=2, 2016=2	Good Progress
	Inclusive Insurance coverage (# lives insured plus # COCs)	2014=0, 2015=92, 2016=1385	Significant improvement required
	# Lives insured under inclusive insurance	2014=0, 2015=0, 2016=0	Significant improvement required
	Non-life insurers' production (# of COCs) under inclusive insurance	2014=0, 2015=92, 2016=1,385	Good Progress
<b>Institutional development (qualitative data)</b>	Diversity of business models	FRC considering the need for a range of business model.	Significant improvement required
	Magnitude of formalization	FRC determined statement of inclusive insurance	Good Progress
	Supporting services and platforms	Working on the development of sales channels	Significant improvement required
	Capacity Development initiatives of FRC	Working group for inclusive insurance established in FRC	Good Progress
	Other authorities and development agencies engaged	Engagement of other authorities and agencies	Good Progress
<b>Client value (quantitative data)</b>	Claims / loss ratio in inclusive Insurance (2014-2016)	Life = 0 Non-life = 54.7	Good Progress

# 1. Introduction

## 1.1 Rationale, objectives, methodology and approach of the assessment

A **Regulatory Impact Assessment (RIA)** for Microinsurance or Inclusive Insurance is meant to measure the **IMPACT** of policy and regulatory reforms related to inclusive insurance. RIA methodologies gather and analyze at least 12 quantitative and qualitative indicators across 3 impact dimensions, i.e. market development, institutional development, and client value. In the **Mutual Exchange Forum on Inclusive Insurance (MEFIN)** Network, RIA was first conducted in the Philippines on 2014, then in Pakistan on 2015. The RIA report is expected to provide recommendations for the regulator, industry and other stakeholders to further develop the market on inclusive insurance.

The MEFIN Regional Steering Committee during its meeting in Hanoi on March 14, 2017 has approved the conduct of RIA in Mongolia. GIZ Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia), the Secretariat of MEFIN, was tasked to implement RIA in cooperation with the Financial Regulatory Commission (FRC).

Inclusive insurance market is still at early stage of development in Mongolia. Since 2014, the FRC has issued so far two (2) regulations related to inclusive insurance. Therefore, the conduct of RIA in Mongolia only focused on assessing the Regulatory Implementation, not yet impact assessment. The scope and methodologies of RIA that were used in the Philippines and Pakistan was adjusted accordingly for Mongolia.

### Objectives: RIA in Mongolia aims to

- Analyze the gains from policy and regulatory measures;
- Identify the gaps and challenges to effective implementation of policy and regulatory issuances;
- Determine opportunities to sustain the gains of inclusive insurance market; and
- Provide recommendations that could be addressed through regulations and other solutions.

**Table 1: RIA tools and implementation**

	<b>RIA Design: Objectives, Methods, Work Plan</b>			
	<b>Research Grid: Scope of IMPLEMENTATION Assessment</b>			
	<b>Focus group discussions (FGDs) Facilitation Guides</b>		<b>Interview Questionnaires</b>	
<b>Implementation</b>	FGDs	Interviews (group/ individual)	Gathering of Statistics (RIA Indicators Matrix)	Review of Reports/ Literatures
	<b>Analysis of Results and Writing of Report</b>			
<b>Next steps</b>	<b>Action Plan</b>			
	<b>Follow up Implementation of Action Plans</b>			

**Methodologies:** The RIA assessment has been conducted using a combination of the following methodologies

1. Review of literatures such as the Mongolia Market Assessment report (GIZ/AFC Consultants),

<sup>1</sup>The Mutual Exchange Forum on Inclusive Insurance (MEFIN) is a Network of insurance regulatory authorities in Asia working for a peer-to-peer exchange of knowledge and experiences with the insurance industry. The Network implement programs and activities that would provide mutual benefit to the members in advancing inclusive insurance solutions especially targeted for the low income and the informal sectors. Member-countries of the Network include Indonesia, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka and Vietnam. More information at [www.mefin.org](http://www.mefin.org)

1. FRC Inclusive Insurance regulations, and other relevant literatures.
2. interviews of select key informants from the FRC, other regulatory agencies, and development organizations.
3. FGDs with members of insurance association (MIA), intermediaries, and support organizations; and
4. Stakeholders' Dialogue, in the frame of the MEFIN Public Private Dialogue (PPD) conference, to validate the conclusions and recommendations of the study and agree on the next steps.

## 1.2 Country context

Mongolia is located in Central Asia bordering Russia and China. The country is a lower middle income country classified by the World Bank. The following table shows some main information of the country.

**Table 2: Country profile as of 2016**

<b>Area</b>	1,564,100 km <sup>2</sup> as of 2015	<b>Language</b>	Mongolian
<b>Population</b>	3,119,935	<b>Currency</b>	Tugrik
<b>GDP</b>	MNT 23,886,409.5 million (USD 10.16 billion) by income method	<b>Form of state</b>	Republic
<b>GDP per capita</b>	MNT 7,891.4 thousand (USD 3,358.2)	<b>Capital city</b>	Ulaanbaatar
<b>Provinces</b>	21 provinces	<b>Climate</b>	Continental, with extremes of temperature from 35°C in winter to over 40°C in summer in some regions
<b>The executive</b>	The Mongolian People's Party (MPP) won a landslide victory in the general election of June 2016. The size of its majority, at 65 out of 76 seats, means that it does not have to govern in coalition	<b>National legislature</b>	A single-chamber parliament, the State Great Khural, which has 76 members

Source: National statistical office (NSO), [www.1212.mn](http://www.1212.mn)

Main economic sectors of Mongolia are mining (20.5% of GDP in 2016) and agriculture (12% of GDP in 2016). Mongolia has traditionally nomadic lifestyle and livestock is still a major sector contributing about 16.2% of GDP in 2015. Mongolia has 21 provinces and 160 thousand herder families live across all provinces as of 2016 (NSO, 2016). They herd 5 kinds of animals including sheep, horses, camels, goats, and cows. The number of livestock has been increasing during the last 4 years and reached 61.5 million in 2016 according to the NSO data. This means 19.7 animals per person. About 20% of total households in Mongolia still rely on animal husbandry and livestock is only source of income for them. It also provides the main source of both food consumption and raw materials for both herder households and the national economy (Save the children, 2016).

Mining is another sector that needs to be mentioned. A landlocked nation, Mongolia is blessed with vast mineral resources, primarily copper, gold, and coal, but other minerals such as fluorspar and tungsten. Mining sector plays an important role in the overall economy in Mongolia in terms of its contribution to GDP, mineral export, government revenue, direct employment and foreign direct investment (FDI). Its production makes up around 20% of the total GDP and responsible for 70.8% and 78% of the overall exports in 2016 and 2015, respectively (NSO, 2016). Mining companies accounted for 56% of aggregate FDI, followed by companies in banking, textiles, beverages, telecommunications, and tourism. A majority of these investments were in joint ventures such as Oyu Tolgoi mine which is the one of the largest copper mine in the world (Mungulzul and Chang, 2016). UK-headquartered Rio Tinto, the operator of Mongolia's biggest mine, Oyu Tolgoi, will continue to work on underground mine project expanding its operation in 2017-18. This expansion will lead to investment and economic growth to accelerate in the coming years (The Economist Intelligence Unit, 2017).

Real GDP growth in 2012 and 2013 was 12.3% and 11.6% respectively due to mineral price increase in the market. Economic growth had decreased since then and reached 2.4% in 2015 (ibis). The Economist Intelligence Unit estimated 1.1% in 2016. New parliament elected in June, 2016 applied and granted an International Monetary Fund (IMF)-led concessional loan, agreed in early 2017 to stabilize the government's fiscal position and help it to honour its external public-debt obligations.

### 1.3 Financial sector

#### Financial sector overview

The Mongolian financial sector consists of 14 commercial banks, 17 insurance companies, 508 registered non-bank financial institutions (NBFIs), and about 286 savings and credit cooperatives (SCCs). The insurance industry in Mongolia is currently small and is still at its development stage. Total asset of the insurance industry is 0.7% of GDP. Banking sector dominates the financial sector holding 96% share of the GDP. NBFIs including SCCs are about 3.2% of GDP (BOM, FRC & MOF, 2016). The Ministry of Finance (MOF) is in charge of overall financial sector policy. The banking sector, which dominates the financial sector, underwent several crises in the 1990s. Following the severe banking crisis of 1998-1999, the Government implemented measures to restructure ailing banks, privatize major banks, improve the Bank of Mongolia's (BOM) ability to enforce compliance with prudential regulations, and strengthen market discipline and incentives for sound bank management. The BOM is responsible for supervision of banks while the FRC is responsible for supervision of other financial institutions including insurance companies, security companies, SCCs and NBFIs. The FRC was established under the Parliament of Mongolia according to the Law on the Legal Status of FRC in 2006. According to the law, the Commission is comprised of Chairman and six members appointed for the term of five years. The FRC has a Supervisory Board, comprised of Chairman and four members appointed by the Parliament for the term of three years. The board aims to supervise the operations of the FRC.

According to its website "The FRC reports its activity to the Mongolian Parliament and it strives to ensure the stability of financial market, regulate financial service institution, monitor the implementation of all relevant legislations, and protect the rights of investors and participants of the financial markets. The committee is a specialized government body for regulation and control over different segments of the financial system including insurance market, securities market, NBFIs, and SCCs" (FRC, 2017). The Financial Stability Council was jointly established by the BoM, MOF and FRC on 9 May 2007 and the council are responsible for financial stability and supervision of the financial sector in Mongolia.

**Banks:** As mentioned above banking sector dominates the financial sector of Mongolia. There are totally 14 commercial banks operating in the market.

14 commercial banks operating in the market.

#### **Box 1: Mongolian banking sector as of 1st quarter of 2017**

- ✓ The minimum capital requirement for commercial banks ordered by the BOM is MNT 8.0 billion (USD 3.4 million);
- ✓ Total assets are MNT 25.16 trillion (USD 10.7 billion) and total equity is MNT 3.26 trillion (USD 1.39 billion);
- ✓ Total outstanding of non-performing loan is MNT 829.7 billion (USD 353.1 million);
- ✓ Net profit MNT 73.5 billion (USD 31.27 million) and Return on Equity is 8.8%.

Source: Mongolbank, [www.mongolbank.mn](http://www.mongolbank.mn)

<sup>2</sup> As of June 30, 2017 1USD = MNT 2,349.87

**Microfinance:** Despite a significant number of initial challenges such as insolvent banks, low saving rate, lack of legal environment, and lack of institution, microfinance in Mongolia has achieved considerable success since the beginning of the “microfinance revolution” in 1998 (BOM, 2007). The government has emphasized microfinance development in Mongolia and the following actions had been taken.

- ✓ The government announced that year 2005 is a year of Microfinance.
- ✓ In 2012, The FRC develops Microfinance development plan 2012-2016. (see below for more information)
- ✓ In 2012, the government passed Credit guarantee law. Credit guarantee fund was established in 2012 by the Credit guarantee law with the purpose of issuing guarantee for SMEs that lack collaterals. The fund provide guarantee up to 60 percent of total loan amount. The FRC supervise the fund by providing regulations regarding its activities.

Currently, microfinance providers in Mongolia are NBFIs and SCCs. However, the largest microfinance providers are commercial banks in Mongolia (Dulamragchaa & Izumida, 2011). Dulamragchaa & Izumida, 2011 found that:

“Khan Bank and XacBank are two main recognized banks in the area of microfinance In Mongolia. The analysis found that the performance of these two banks improved significantly. Moreover, Mongolian microfinance advanced as innovative methods were introduced. The new concept of collateral is considered the most important development. Loans secured using various kinds of collaterals and guarantees are effective in heightening loan recovery in Mongolian microfinance.”

There is neither an official definition of “microfinance” nor any policies, laws, or regulations regarding microfinance. The only reference regarding microfinance development in Mongolia that this RIA found is the Microfinance development plan 2012-2016 designed by Microfinance department of the FRC.

**Box 2: Microfinance development plan 2012-2016**

The plan aimed to implement microfinance development activities in 3 directions: NBFIs’ sector, SCCs’ sector, and Credit guarantee fund. The plan stated the following activities in the above mentioned sectors.

- ✓ **NBFIs:** To make research on the development of NBFIs sector of other countries and to formulate policy based on the research, to improve regulatory environment, to establish risk management for the sector, to create risk based monitoring system, and to improve employees knowledge in the sector.
- ✓ **SCCs:** To make research on the development of SCCs sector of other countries and to formulate policy based on the research, to improve regulatory environment, to establish risk management for the sector, to create risk based monitoring system, to introduce an assessment system for SCCs sand to improve employees’ knowledge in the sector.
- ✓ **Credit guarantee fund:** To develop necessary documents needed for a smooth implementation of the Credit guarantee fund law, to improve supervisory and regulatory mechanism of the fund, and to deepen the cooperation between government and NGOs in order to further develop the fund.

<sup>3</sup> Currently, there is no Microfinance department in the FRC due to the current structural changes.

**Box 3: NBFIs**

The law on NBFIs operation was enacted in 2002. As of 2016, there are 518 NBFIs registered at FRC. NBFIs have been operating the following activities (FRC, 2017):

- 463 (89.4%) NBFIs run loan activities
- 144 (27.8%) NBFIs operates currency exchange activities
- 33 (6.4%) NBFIs provides consultation on investment and finance
- 28 (5.4%) NBFIs runs trust service
- 22 (4.2%) NBFIs runs factoring service
- 16 (3.1%) NBFIs issues payment guarantee
- 12 (2.3%) NBFIs operates online payment and money transfer
- 2 (0.4%) NBFIs invests in short term financial instruments,

As of 2016, total amount of assets of total NBFIs is MNT 787.2 billion. This amount is equal to 3.1% of total assets of banking sector. The total outstanding loan amount of NBFIs is 3.9% of that of banking sector, and NBFIs' equity is 18.6% of that of banking sector. Total number of NBFIs borrowers is 66,449. Average monthly loan interest rate of NBFIs is 4.0% which is 2% higher than that of commercial banks. The market share of top 20 NBFIs is 41% which demonstrates the market is competitive.

Source: FRC, 2016

**Box 4: Savings Credit Cooperatives (SCC)**

The original Law on Cooperatives was adopted in 1998 and did not distinguish between the financial intermediation activities of SCCs and cooperatives created to provide nonfinancial services to their members. A 2002 revision of the law specifically acknowledged SCCs, but regulation was not under any government agency until the FRC was formed in 2006. In the meantime, new legislation was drafted in 2006, subsequently revised in 2010, and approved into law by the parliament in October 27, 2011. The newly enacted law on Savings and Cooperatives stipulates the legal and regulatory framework that governs SCCs and its operations in Mongolia (ADB, 2014).

As of 2016, a total of 280 registered SCCs have been operating in Mongolia. SCCs by their number of members are as followed:

- 20-100 members – 163 SCCs;
- 100-500 members - 103 SCCs;
- 500-1000 members - 8 SCCs;
- Above 1000 members - 6 SCCs.

As of 2016, total number of SCCs is 46,183 and non-performing loan is 5.5% which is above the limit set by the FRC due to economic slowdown (FRC, 2016).

**Insurance sector**

Mongolia's insurance industry accounts for only 0.94% of the GDP and these are primarily nonlife insurance (FRC, 2016). Commercial private insurance is still very new in Mongolia since before the 1990s, insurance was provided by the state through a national government insurance organization starting in 1934. The state insurance company was privatized in 1997 and became the Mongol Insurance Company, which remains to be Mongolia's largest insurance company. New insurers emerged in subsequent years, especially with the passing of a new insurance law in 2004 (ADB, 2014). The law provides the framework for the regulatory and policy environment of the insurance industry in Mongolia and designates the FRC as the regulatory authority mandated to supervise and examine all the players in the industry.

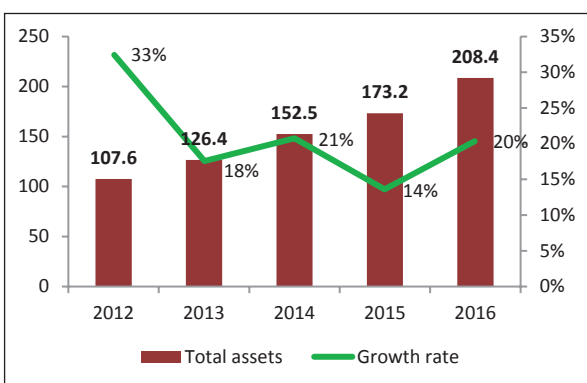
The insurance industry in Mongolia comprises the life and nonlife insurance companies, agents, and brokers. All entities providing insurance products and services are required to secure a license to

operate from the FRC. As of end of 2016, total of 15 non-life insurance companies, 1 life insurance, 1 reinsurance company, 40 brokers, 31 loss adjusters, and 242 insurance company branches, 10 agent companies, 208 branches of brokers, 50 branches of loss adjuster companies, 2 agents of loss adjusters have been operating in the market (FRC, 2017).

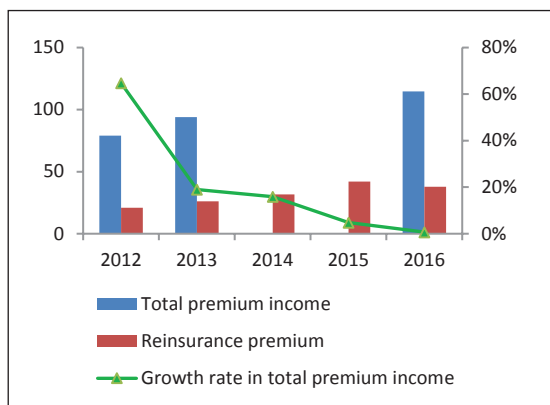
Insurance penetration and density are still underdeveloped compared to other countries. Mongolia's total insurance premium in 2013 was only 0.54% of its GDP, well below the average of 2.98% for emerging markets and the world average of 6.9%. Premiums in life insurance are far greater in developed countries while the opposite is usually the case in many emerging markets, including Mongolia. This may be partly due to lack of sufficient depth in capital markets, a prerequisite for the development of long-term insurance products (ADB, 2014). In terms of total assets, ordinary insurance companies make up 79.6%, reinsurance companies make up 16.8%, and life insurance companies make up 3.6% of total assets of insurance sector. In terms of premium, 55% is collected by insurance companies, 26% is collected by insurance agents, and 19% is collected by insurance brokers (FRC, 2017).

The following figures show the financial situation of insurance sector as of end of 2016. The amounts are in billion MNT. Total insurance fund decreased by 28.8% in 2016 due to a change in accounting rule that required a separated accounting of "Not earned premium fund".

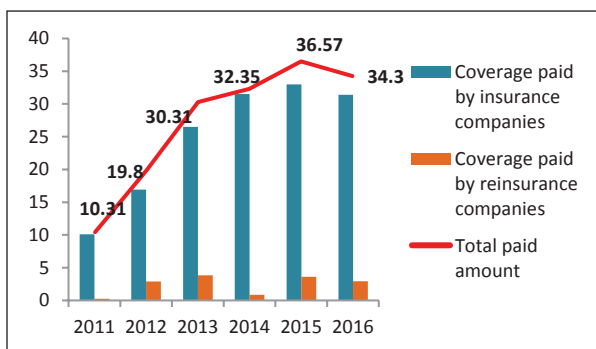
**Figure 1: Total assets and growth rate**



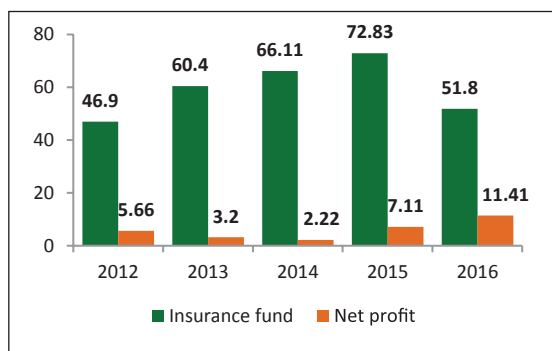
**Figure 2: Premium and growth rate**



**Figure 3: Insurance coverage**



**Figure 4: Insurance fund and net profit**



Source: [www.frc.mn](http://www.frc.mn)

**Mongolian insurance association (MIA):** is a non-profit and independent association which serves for its members. MIA operates its activities with 17 members which are 1 reinsurance, 17 non-life and 1 life insurance companies and one associate member which is the project unit of Index Based Livestock Insurance (IBLI) Since its establishment in 2004, MIA has provided comments on insurance related laws and provided trainings.

### **Microinsurance industry (Inclusive insurance)**

The first microinsurance initiative had been undertaken in Mongolia in 2009 by the United Nations Development Programme (UNDP) and the FRC that launched a 3-year project to develop microinsurance capacity in Mongolia. The health insurance product was introduced in July 2010, with the first policies issued in January 2011. A second microinsurance initiative was initiated by Tenger Insurance (formerly Prime General Insurance, a private commercial company) in 2009, supported by a grant from the Microinsurance Innovation Facility of the International Labour Organization (ILO). This product combines personal accident insurance with a hospital cash benefit, and was launched in December 2010. Included in this discussion is the Index-Based Livestock Insurance (IBLI) pilot, implemented by the World Bank and the Government of Mongolia in 2005. The pilot phase lasted for three years, and has since been extended. While not strictly a microinsurance product since it is also available also to high-income herders, this project reaches a segment of the population vulnerable to financial risks, and provides lessons on the development and distribution of microinsurance in Mongolia (ADB, 2014). Since these projects, there are no other significant initiatives launched regarding microinsurance industry. Mongolia is a country using a term “inclusive insurance” rather than microinsurance.

Despite the growth of the insurance sector and recent global awareness on financial inclusion, the insurance market in Mongolia can hardly be considered inclusive at this time. The country has defined inclusive insurance on August 27, 2014 under FRC resolution no.303 (it later replaced by resolution no.407 in 2015) and set criteria for inclusive insurance products.

Mongolia has joined in MEFIN Network, a collegial body of insurance policy makers and regulators in Asia, in May 16, 2013 along with Indonesia, Nepal, the Philippines, Thailand and Vietnam by signing Cebu Declaration. The Cebu Declaration is a non-binding document which declares commitment of the signatories to the promotion and development of inclusive insurance (microinsurance) markets. In 2016, MEFIN was transformed into a formal network and expanded its members with Pakistan and Sri-Lanka. The Network now serves as a platform of peer-to-peer learning among policy makers and insurance regulators in the region as it develops and implements programs that provide mutual benefit to its members in advancing inclusive insurance solutions. Overall, MEFIN aims to create impacts of regulation and supervision along the dimensions of market development, institutional development and client value for the benefit of the poor. GIZ RFPI program has been cooperating with the FRC, Ulaanbaatar City Insurance LLC, and Monre Insurance LLC for developing inclusive insurance market in Mongolia.

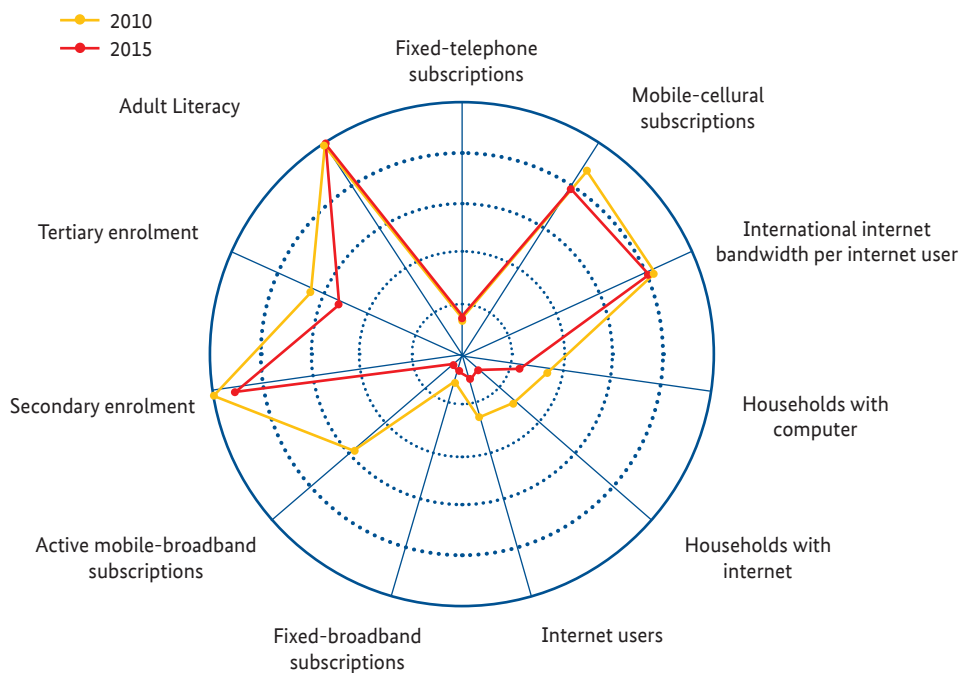
As of June 2017, there are three inclusive insurance products (see Table 5) from three insurance companies are registered at FRC, and could be considered an industry’s response to FRC resolution no.407. Besides the definition and the criteria for approving inclusive insurance products, there is no special regulation regarding inclusive insurance in terms of licensing, reporting, financial literacy (Finlit), claiming, and consumer protection.

## 1.4 Information communication technology (ICT) development in Mongolia

Using technologies in financial services brings low cost and increase financial inclusion. Thus, technology is important driving force for financial inclusion and technology usage in financial services is one of four principles in Maya Declaration approved in Global Policy Forum of the Alliance for Financial Inclusion (AFI) network committed to financial inclusion in 2011.

The Communications Regulatory Commissions of Mongolia (CRC) is a regulatory organization of ICT sector in Mongolia. Information Technology Post and Telecommunications Authority (ITPTA) is a government agency aims to introduce innovative technologies in communication, information technology, and post service. ICT development has been enhancing in Mongolia along with the rest of the world. Based on ICT development index , Mongolia ranked 84 out of 167 countries in 2015, compared to ranking 97 in 2010, advancing 13 places up and demonstrating rapid development (ITPTA of Mongolia, 2016). Figure 5 shows the development index comparison of 2016 and 2010. The index has risen in all aspects within the last 5 years, the most noticeable increase was occurred in internet and mobile communications. This development is directly related to the improvement of mobile communications at national level and the broadcast of 3G network throughout the capital city and over 340 soums in the rural areas (ibis).

**Figure 5: ICT development index comparison between 2010-16**



Source: ITPTA of Mongolia, 2016

The government of Mongolia has been encouraging ICT development and established ICT development policy 2017-2025 in Feb, 2017. One of the objectives in the policy is to increase the types and outreach of the services based on advanced technology. The law regulates the situation of introducing technology based financial services is the Law on Electronical Signature which is enacted in Sep, 2014. The law allows using e-signature as traditional one.

<sup>4</sup> The Alliance for Financial Inclusion (AFI) is a network of financial inclusion policymakers. AFI was founded in 2008 as a Bill & Melinda Gates Foundation-funded project. The BoM and FRC are members.

<sup>5</sup> The ICT development index is calculated based on 11 indicators grouped in 3 sub-indexes: access, use, and capacity.

### Box 5: Law on Electrical signature

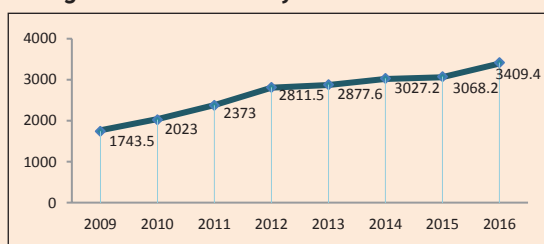
Within the framework of activities to implement Law on Electronic signature of Mongolia by decree No. 45 from September 2014, the Communications Regulatory Commission (CRC) has approved a number of regulations to follow in Mongolia related to public key infrastructure such as “Common rules on the usage of public key infrastructure”, “Common rules on issuing certification”, “Regulation for setting up certifying authority and conducting certification activities” and “Regulation on setting up digital signature database and its usage”. The Management Board of ITPTA issued decree No. 04 from March 25, 2015 approving “Policy guidelines on the public key infrastructure of e-signature” and “Conditions and requirements to issue digital signature certificates”. The partnership of “Interactive” Co. Ltd and “SSS” Co.Ltd has been selected as their certifying authority to issue digital signatures under laws and regulations and has been operational since July 2015. The decree No. 151 from March 2016 on “Some measures to undertake for an issuance of digital signature certificates” has been issued by the Government of Mongolia as measurements to support usage of e-signatures and ensure communications security in the cyber environment for citizens and organizations. According to this decree, the National Registration and Statistics Office (NRSO) has started to issue digital signature and certification based on digital identification cards together with the certifying authority since April 1, 2016. (From the White report by ITPTA, 2016).

Among financial sector, banking sector is the most advanced among in introducing new technologies in Mongolia. Currently, Mongolian banks have been offering services based on advanced technologies such as mobile bank, internet bank, and message bank which allow bank customers to make transfer and payment. However, there is no such development yet and any cooperation between Mobile network operators (MNOs) and insurance companies in Mongolia. According to the interview with the FRC, e-signature is included in the regulation, “Rule of Criteria for Insurers” approved by resolution no.48. It states that insurers can sell their insurance product using internet and they need to register their products as well as its distribution channels at the FRC. However, e-signature law is not fully implemented because Civil law states that insurer should deliver signed insurance agreement to the insured people. Some companies started to consider MNOs as a distribution channel and uncertainty regarding e-signature usage is restrain them to take actions.

### Box 6: MNOs in Mongolia

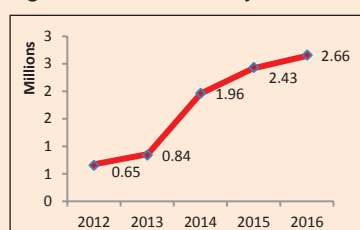
There are 4 MNOs operating in Mongolia including Mobicom LLC, Skytel LLC, Unitel LLC, G-mobile LLC. Mobile phone users in Mongolia has been increasing in the last 8 years and reached 3.4 million. The mobile telecommunications network covers 95 percent of the population and the number of subscribers reached 5.56 millions in repeated numbers (ITPTA, 2016). Totally 2.3 million users (69.1%) have smart phones.

Figure 6: The number of customers in thousands



### Internet service in Mongolia:

Figure 7: The number of internet users



The share of MNOs income in the communication sector was MNT497.9 billion (51.6%) and the investment in MNOs was MNT166.3 billion (71.3%) as of Dec, 2016.

The number of internet users has been dramatically increasing since 2014 and reached at 2.66 million in 2016.

2.4 million (71%) of internet users are mobile data users accessing to internet via their mobile phones.

<sup>6</sup> User is counted by the number of phone numbers

Source: CRC, Main indicators of Mongolian ICT sector, 2016

## 2. The policy framework and its implementation

### 2.1 Overview of policy framework and strategic objectives.

The term inclusive insurance was first included in the regulation in 2014 in Mongolia. The regulatory authority has recently started considering inclusive insurance and financial inclusion. Currently, there is no financial inclusion strategy in Mongolia. MOF, BOM, and FRC have been drafting National program on developing financial market until 2025. This report assesses the status of policy implementation based on the following five strategic objectives.

**Table 3: Strategic objectives**

Key strategies	Strategic objectives	
<b>1 – Private sector participation</b>	Increased participation of the private sector in the provision of inclusive insurance services	<b>5 - Consumer Protection (CP)-</b> Rights and privileges of the insured poor are protected
<b>2 – Regulation and policy</b>	Establishment of an appropriate policy and regulatory environment for the safe and sound provision of inclusive insurance by the private sector	
<b>3 - Formalization</b>	Mainstreaming of existing informal insurance, insurance like, and other similar activities/schemes	
<b>4 – Financial Literacy (Finlit)</b>	Institutionalization of national Finlit framework	

### 2.2 Private Sector Participation

**Rationale:** Private sector is a driver of inclusive insurance market development as it develops and provides inclusive insurance products which are simple, affordable and innovative that meets the needs of customers. The private sector in inclusive insurance includes insurance and “insurance like” providers as well as intermediaries and support institutions.

Intermediaries are important players in inclusive insurance market. The more recent realization in much of inclusive insurance globally has been that inclusive insurance is driven by the intermediaries. It is the intermediaries that manage the markets, generate the clients, and provide the service. In many ways they have become more important than the risk carrier. Intermediaries drive scale (the most important piece of a business case), determine the premium cost (because of their commission demands), and can move masses of people between insurers as they choose.

**Stakeholders, activities and outcomes:** In Mongolian insurance industry, commercial insurance companies have important roles in the development of inclusive insurance as these are main player in the market. There are totally 15 insurance companies have been operating in Mongolia.

**Table 4: Commercial insurers (non-life insurers)**

Bodi Daatgal LLC	Munkh daatgal LLC	Ard daatgal LLC	Tenger daatgal LLC
Ger daatgal LLC	Ganzam daatgal LLC	Nomin daatgal LLC	Ulaanbaatar city insurance LLC
Mandal daatgal LLC	MIG daatgal LLC	Practical daatgal LLC	Khaan daatgal LLC
Monre daatgal LLC	Mongol daatgal LLC	Soyombo daatgal LLC	

All commercial insurance companies are allowed to develop and launch inclusive insurance products in Mongolia if the designed products meet with the criteria for the inclusive insurance product. As of June 2017, the following three inclusive insurance products are registered at FRC.

- ✓ Children’s accident insurance, a product of Ulaanbaatar City Insurance LLC;
- ✓ “EASY” ger, house, and fence insurance, a product of Monre Insurance LLC;
- ✓ Comprehensive apartment insurance, a product of Khaan insurance LLC.

**Table 5: Inclusive insurance product**

Product	General information	Outcome
Children’s accident insurance	The product covers all kinds of accidents, sum insured is USD 250, and annual insurance premium is USD 6. It is for children aged of 0-18 years. Distributional channel for the product is trained agents.	Totally 8 and 13 policies were sold in 2015 and 2016, respectively. Net premium was MNT 99,840 (USD 42.5) in 2016.
“EASY” ger, house, and fence insurance	This is a property insurance product. It protects ger, house and fence from fire and flood risks. Sum insured and premium are different for the items. Sum insured is between USD 425 and USD 3,400. Annual premium is between USD 2 and USD 20.	As of 2016, totally 1,372 policies are sold and the number of policies sold was 84 in 2015. Net premium was MNT 29.26 million (USD 12.4 thousand) in 2016.
Comprehensive Apartment insurance	<b>Insured:</b> Apartment owner/tenant <b>Risks covered:</b> Fire, water pipe damage, and any damage to the property. <b>Coverage amount:</b> Liability insurance - MNT 1.3 million; Property insurance – MNT 1.3 million. <b>Premium:</b> MNT 1,500 per month.	The product has been approved as an inclusive insurance product on April 14, 2017.

Source: The FRC

National life insurance LLC is the only life insurance company in Mongolia. It has been operating since 2008.

**Table 6: Other private sector participants**

Participants	Activities and outcome
Brokers	There are totally 40 broker companies operating in the sector. Commercial banks are allowed to become brokers and currently 9 banks have operating as brokers.
Agents	Totally 3,094 agents (individual) are licensed by the FRC.
Loss adjusters	Totally 31 loss adjusters (companies) have been operating in the sector.
Reinsurance companies	Agricultural reinsurance JSC is the only reinsurance company operating in Mongolia. IBLI was introduced by a project implemented by the World bank and the government. “IBLI Law” was enacted by the government of Mongolia in 2014. Based on this law, the “Agricultural Reinsurance” JSC was established to be responsible for the IBLI’s continuation.
Actuary	Totally 16 actuaries (individuals) are licensed by the FRC.

Source: [www.frc.mn](http://www.frc.mn)

<sup>7</sup> Ger is a portable, round tent covered with skins or felt and used as a dwelling by nomads in the steppes of Central Asia.

**Licensing of inclusive insurers and intermediaries:** There is no specific licensing rule particularly for inclusive insurance providers and intermediaries. Insurers and intermediaries selling inclusive insurance are licensed same as traditional insurance providers and intermediaries.

**Approval of products:** Insurance products are approved as inclusive insurance products once they meet the criteria and insurers request the FRC to approve as an inclusive insurance.

**Reporting:** Reporting of inclusive insurance is same as traditional insurance reporting.

**Remarks on private sector participation:** Inclusive insurance market in Mongolia is still young and it has been only three years since the term was first officially defined in the FRC regulation. During these three years, three inclusive insurance products have been developed and launched by three insurance companies. These initiatives make other companies to realize the opportunity to design and sell inclusive insurance products to low income people.

The participants in the RIA FGD pointed out that the outreach of the existing three inclusive insurance products is still low and this demonstrates that these products are not inclusive enough. Insurance providers need to make a good research before designing inclusive insurance products and develop products those meet the need of the target population. Some insurance providers argued that it is important that insurers enter in inclusive insurance market. Designing a perfect product is not possible and we need to practice trial and error method. Product and market will gradually develop by learning from the past.

### **Challenges in private sector participation**

**Expansion:** Even though all insurers are permitted to provide inclusive insurance products, currently only three insurers launched the products. Insurers have been inactive to participate since 2014 when the inclusive insurance definition was issued. Policymakers need to provide insurers with incentives such as shortening the period of licensing inclusive insurance to encourage their participation in inclusive insurance market. Continuous promotion and information provision of inclusive insurance by policymakers and MIA is important as insurers will gain an understanding of benchmarks and potential for success. Insurers see the benefits of the first movers and then some become more interested in inclusive insurance market when they see potential success. There is a lack of cooperation among insurers and between insurance companies and brokers. If the insurance providers can cooperate and share their common costs (i.e. data, raising public awareness, and training) they may be able to expand their market.

**Insurers' capacity:** Some insurers recognize that trial and error to provide inclusive insurance products is necessary. However, knowing the need of clients, the feasibility of the business, and not getting into the trap of providing weak products and poor services are crucial so that it will not diminish the confidence of the market which may ultimately result in the closure of the scheme. Insurance companies need skilled professionals such as actuaries that can make reliable calculations as inclusive insurance products should have lower premium. Training programs through the insurance training institute designed to train on inclusive insurance specific issues could be helpful.

**Commissions:** Due to the characteristics of Mongolia which has small population of three million and sparse landscape, distributing insurance at low cost is very challenging. Thus, insurers need to move to greater expansion through ever more innovative distribution using large aggregators such as cooperatives and MNOs (please see page 11-14), it will be important to manage commissions so that products remain affordable and continue to provide value to clients. Inclusive insurance, if offered as a group insurance to affinity organizations acting as aggregators, rather than issuing individual policy contract, makes the business more efficient and sustainable.

**Product variety:** So far, two property and one accident insurance products are developed as inclusive insurance products. As of 2016, about 560 types of ordinary insurance products have been developed by insurance companies and only three products have been registered as inclusive insurance products. Thus, more products those meet the needs of customers are necessary to be developed and sold. There is also a need to improve the inclusiveness of products by designing insurances for low and middle income people, by using clearer wording to define terms and conditions in insurance agreement. Some participants in the FGD suggest that there is a need of a standard product that need to be sold through automatic machines.

**Distribution channel:** Distribution channel is a main challenge in Mongolian inclusive insurance market. Currently, main distribution channels are agents and brokers in Mongolia. Some insurance companies are trying to introduce new distribution channels such as post office, but not for inclusive insurance product. If this attempt is successful, this also can be used for inclusive insurance. Companies are not proactive to introduce new distribution channels. The regulation does not prohibit engaging new distribution channels. Any companies and individuals except for civil servants can be agents. Some companies are considering mobile insurances and asking the FRC about e-signatures. The FRC has already included e-signature in the regulation, “Rule of Criteria for Insurers” approved by resolution no.48. It states that insurers can sell their insurance product using internet and they need to register the product and its distribution channel at the FRC. However, e-signature law is not fully implemented because Civil law states that insurer should deliver signed insurance agreement to insured. Introducing MNOs, microfinance institutions, and cooperatives which are active distribution channel in other countries such as the Philippines can bring efficiency in Mongolian inclusive insurance market.

## 2.3 Regulatory Framework

### Rationale and stakeholders

The regulatory framework gave clarity and certainty to insurance providers and it is crucial for inclusive insurance development. In the Mongolian context, the following authorities are relevant for inclusive insurance market development: MOF is in charge of overall financial sector policy and oversees the BOM. The BOM regulates and supervises commercial banks. The FRC regulates and supervises NBFIs, including SCCs, non-deposit-taking lenders, capital markets, and insurance companies. The FRC ensures stability of financial markets, regulates financial services, monitors the implementation of relevant legislation, and protects the rights of investors and clients of the financial markets. It has four sector-specific departments: Insurance, Securities, NBFIs, and SCCs Department, as well as three cross-sector departments. It issues insurance regulations and is responsible for licensing insurers, agents, brokers, loss adjusters, and actuaries. The below regulations govern the insurance market.

### General Legislation

- The Constitution of Mongolia (1992) is the basis for all legislation in Mongolia.
- Chapter 43 of the Civil Code of Mongolia (2002) governs insurance contracts. Thirteen clauses regulate details of the insurance relationship between the contracting parties, including: insurance policies; types and forms of insurance; guarantees, liability for insurance premium, and insurance agents’ rights. It also outlines what must be disclosed in the insurance contract including the sum insured, policy duration, renewal conditions, and premium payment schedule.
- The Law on Companies (2011) applies to all companies that are incorporated in Mongolia, including commercial banks, nonbanking financial institutions, insurance companies, institutional agents, and brokers.

## Insurance Sector Legislation

- The Law on Insurance (2004) regulates all insurance activities, except those regulated specifically by other laws. It provides (i) definitions of insurance classes and forms, (ii) rights and duties of the insurer and insured, (iii) regulation and licensing of insurance companies, (iv) capitalization and solvency, (v) accounting and auditing, (vi) roles and responsibilities of actuaries, (vii) regulation and licensing of reinsurance, and (viii) the right of the FRC to collect data and impose sanctions. Details of these provisions are contained in regulations and guidance notes issued separately by the FRC.
- The Law on Intermediaries/Law on Insurance Professionals (2004) regulates the legal status, activities, and licensing requirements of insurance brokers, insurance agents, and loss adjusters; as well as rules for market conduct.

FRC promulgates regulations and guidance for the insurance industry. Currently, over 50 active pieces of insurance regulations and guidance govern the full spectrum of insurance-related activities.

### Key elements of the Regulatory Framework and outcomes

“Special licensing, licensing, and registration rule for insurers and intermediaries”, 2015 is the only regulation that include inclusive insurance. The following key elements are stated in the regulation.

- (3) the inclusive insurance definition
- (4) the criteria for inclusive insurance product

#### **Box 7: Articles regarding inclusive insurance in the regulation no.407**

2.1.4. The Inclusive insurance” means type of products of voluntary insurance which are intended to provide insurance coverage for every individual and an insurance contract’s wordings, terms and conditions should have easily understandable for individuals and the insurance premium should be affordable, with few exclusions.

6.1.8. For the registration of an inclusive insurance, the FRC put the following requirements:

- 6.1.8.a. The insurance products should be aimed to be sold to low and medium–income peoples. Covered risks should reflect needs and insurance premiums are required to be affordable and reasonably low;
- 6.1.8.b. Exclusions stated in the insurance contract should not exceed 5;
- 6.1.8.c. Insurance contract should be easy to understand without amphibology meanings;
- 6.1.8.d. Claims payments should be made within working 10 days.

6.1.9. For the registration of an inclusive insurance product, FRC should register the product and it should be expressed by letters “KHD”. After these letters will follow numbers and figures which will express the year of launch of a product.

**Table 7: Jurisdiction assessment**

Section	Assessment & Elaboration
Inclusive insurance market	<b>Assessment:</b> Partly Supportive (Average score 2.43) <b>Elaboration:</b> There is no regulation on restricted and conditional licenses for insurers that operate on a limited in scope. There is no specific regulation that exists which makes special allowance for the establishment of pilot schemes offering innovative products to inclusive insurance market. It does not have transition plan that provide incentives to formalize the informal insurance activities.
Legislation	<b>Assessment:</b> Partly Supportive (Average score 2.33) <b>Elaboration:</b> There is no special regulatory treatment available for insurers that serve the inclusive insurance market. The supervisor does not use of any cooperation with other authorities as a means of including one or more types of entity as insurers.

<sup>9</sup> The assessment is scored between 1 to 4, level 1 being 'Supportive' and level 4 being 'Not Supportive'.

Supervision	<p><b>Assessment:</b> Largely Supportive (Average score 2.22)</p> <p><b>Elaboration:</b> Inclusive insurance is at the stage of development. The regulatory and supervisory authority does not carry out regular reviews of the inclusive insurance market. It does not take a proactive approach to monitoring products offered to customers in the inclusive insurance market.</p>
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Source: GIZ RFPI Asia, Self-assessment and Peer Review: Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets, 2016

### Non-Insurance Legislation with Relevance to Insurance and Inclusive insurance

- The Law on Banking was amended in 2010, allowing banks and their affiliates and subsidiary companies to act as insurance brokers (Article 6.2).
- The Non-Banking Financial Institutions Law (2002) and supplementary regulations for NBFIs govern the activities of nonbanking financial institutions not otherwise regulated by sector-specific legislation. The existing legislation does not state that microcredit institutions, guarantee funds, or other NBFIs regulated under this legislation can sell insurance.
- The Cooperative Law (1998, amended 2011) regulates all cooperatives, including SCCs and does not state that cooperatives can sell or market insurance.

According to the “Special licensing, licensing, and registration rule for insurers and intermediaries”, any individual and entity except for a public servant can be an insurance agent.

### Remarks on the existing regulation and supervision

Inclusive insurance regulation is not advanced in Mongolia since the term first integrated into the regulation in 2014. After the definition and criteria of inclusive insurance, there has not been any further amendments and insertion in the regulation. In the FGD, the participants expressed their thoughts on the existing regulation of inclusive insurance. The following comments were raised.

- There is a need to make the definition clearer. For example, it states that inclusive insurance should be affordable. However, how much is affordable is uncertain.
- To remove the limit of up to 5 exclusions only since it restricts some products to be registered as inclusive insurance products even if the products are designed for low and middle income people.
- The regulation should promote private sector participation in inclusive insurance market. The existing regulation does not provide incentives for private sector involvement. For instance, inclusive insurance products could be registered faster than traditional products.
- Some argued that allowing commercial banks as insurance brokers has created unfair competition for other insurance brokers since banks have much better financial capacity. Others mentioned that commercial banks are the most advanced financial service provider in Mongolia and the banks have many branches across the country. This assists to distribute insurance products widely by reaching most of the population.
- To introduce promotion for inclusive insurance products such as lottery which was implemented for maintaining VAT bills in Mongolia.
- There was a discussion about whether inclusive insurance should be mandatory (as a social insurance) or not among the participants. Some argued that inclusive insurance should be mandatory and specifically designed for low and middle income people (vulnerable group of society) and the government can provide subsidy.

### Challenges in regulation and supervision

Regulatory role in developing inclusive insurance market is important as it creates incentives for market players. The following challenges can be pointed out.

**Table 8: Challenges in regulation and supervision**

Challenge	Elaboration
No inclusive insurance strategy	There is no strategy or policy regarding inclusive insurance market development. This restricts the regulatory body to make long-term commitments.
Unclear inclusive insurance definition	The inclusive insurance is not clearly defined. Some criteria for inclusive insurance products such as the number of exclusions is no more than 5 restrict insurers to register products those have greater outreach as an inclusive insurance product.
Private sector participation is not maintained	Same treatment is administered for participants in both inclusive insurance and traditional market.
Lack of knowledge among FRC staff	There has been any training and workshop in inclusive insurance among the FRC staff. Capacity building activities can lead to the development of the sector.
Lack of cooperation with other authority	No cooperation with other authorities regarding inclusive insurance.

## 2.4 Formalization

Informal insurance is not widely practiced in Mongolia. However, Asian Development Bank (ADB) (2014) states that while there appears to be no significant informal insurance market in Mongolia, there are some community-based groups that provide certain types of assistance to their members—small organizations with limited reach and without any central organizational structure. The regulator and the industry do not consider informal insurance as an issue in Mongolia and there are no policies developed and actions taken regarding informal insurance.

## 2.5 Financial Literacy

**Rationale:** Low level of Finlit is a challenge in developing inclusive insurance market in Mongolia. In 2010, ADB, in cooperation with ADRA (an NGO) and the National Cooperative Association, conducted a review of Finlit levels among members of SCCs, as well as the results of Finlit training conducted earlier in the same regions. They conducted interviews and focus group discussions in Arkhangai, Khentii, Omnogobi, and Selenge aimags. The primary conclusions from their study were that SCC members are familiar with the basics of household budgets, but face some challenges of financial management and frequently need to resort to borrowing; members of the general population have a very low level of Finlit and negative attitudes towards household budgeting. Participants expressed the greatest interest in TV “serial drama” approaches to Finlit training, as well as classroom education sessions. As reported in the UNDP Capacity Development project report in 2014, “there is an increased awareness among the donor community and the government ministries on the importance of developing a more comprehensive strategy on financial inclusion which should include developing Finlit in Mongolia”. The participants of FGDs (carried out in Erdenet city and from local SMEs) conducted by GIZ in 2014 indicated a lack of understanding of insurance, insurance products and how to make claims. There has been an effort by insurance companies to educate clients with advertisements, web sites and direct communications by agents. Clients indicate that in some cases agents do not explain products and options well enough. Insurance may be new to many people; the introduction of mandatory products has increased the focus on insurance. Clearly insurers have to better understand how their message is being received and recalibrate how it is delivered to improve consumer understanding.

**Stakeholders, activities and outcomes:** Although there are no specific Finlit activities regarding inclusive insurance, the regulators have a good understanding of the necessity of Finlit. “Finlit program” has been approved jointly by The Ministry of Education, MOF, FRC, and BOM in 2015. The program is implemented between 2016- 2021. The program aims to provide financial education specific topics including insurance, life insurance, and social insurance.

**Box 8: The results of the program implementation are followed.**

- Subjects of basic financial education will be included in secondary school curriculum;
- Subjects of basic financial education will be included in university curriculum;
- Improved financial education among population such as budgeting, saving, and projecting;
- The number of deposit owners will be increased;
- Investment from individuals in stock market will be increased;
- The number of insured people will be increased;
- Non-performing loan amount will be decreased;
- Average number of financial services and products among population will be increased;
- People will more make choices based on information and knowledge about financial products;
- Increased knowledge about financial services and products among population.

Source: Finlit program

The FRC provides training for agents and brokers who request licenses. The FRC also provides information using twitter, Facebook, website, and other mass media. MIA and Banking and Finance Academy carry out training.

**Challenges & recommendations in Finlit:** So far, no Finlit activities led by the government regarding inclusive insurance have been conducted in Mongolia. Since the introduction of mandatory products, the awareness of insurance has increased but there is a lot of confusion on what kind of damage insurance products cover and which ones are useful (AFC, 2014). Knowledge about inclusive insurance among the population is lower. People do not know how inclusive insurance differs from traditional insurance. Insurance providers market their products and this is a main information reach to the market. They usually use mass media such as TVs and radios. There is a traditional belief that if you think about bad things that will come to you. This belief also negatively affect people's attitude toward insurance. In the RIA FGD (carried out in Ulaanbaatar, Mongolia in June, 2017 and the representatives from both insurers and intermediaries participates), the participants emphasize that the importance of changing the attitude of people by explaining the benefits of insurance. According to the program, the first assessment of the Finlit program will be conducted at the end of 2017 by a team comprised of government and non-government organizations. As the financial knowledge among the population is still lower, the FRC needs to design Finlit strategy for inclusive insurance and implement specific Finlit measures in line with the strategy. Target-group oriented and thematic Finlit efforts, as well as follow-up campaigns, are a way to "go deeper" in improving Finlit.

## 2.6 Consumer Protection

**Rationale:** Ensuring ethical and professional practices of insurers is a key objective of insurance regulation, especially for insurance involving long-term financial commitments. Prompt and fair claims servicing is also important for low-income policyholders and potential inclusive insurance clients. The FGDs have indicated that potential clients lack sufficient knowledge and understanding of insurance, which may make their insurance decisions difficult. Aside from complaints on poor service quality, a common misconception is that insurers frequently do not honor claims, or that the difficult process discourages clients from claiming. In 2009, the UNDP Microinsurance Capacity Building Project identified the following concerns on claims practices:

- Traditional claims handling procedures may be burdensome for inclusive insurance: required documents for claims include the statement of a loss-adjuster, which can be too expensive;
- The interpretation of "premium payment by regular installments" (Civil Code 437.2) leads to insurers scaling down their claims payment proportionate to the installments that have been paid, which is wrong and inconsistent with general insurance principles. These situations destroy trust, possibly the most important ingredient of a sound insurance market.

<sup>9</sup> It is a type of insurance that must be bought by specific law. Currently, driver's liability insurance is a mandatory insurance that all drivers must purchase.

Currently, there is no distinct/alternative mechanism for clients of inclusive insurance to address claims dispute both at the level of insurers and in FRC. Introducing Ombudsman system is drafted in the National program on developing financial market until 2025. There is no special mechanism of FRC to ensure that clients of inclusive insurance are sufficiently informed about their rights and about the products of insurers. In the Insurance law, it states that insurers should provide customers with necessary information as a duty of insurers. In mortgage insurance, the FRC is going to introduce statement by the insured that requests the customers to check their choice regarding insurance terms and companies.

**Activities and outcomes:** The FRC has a clear mandate to protect insurance consumers. However, existing regulations to protect inclusive insurance clients are not proportionate to the needs and capacities of the target clients.

- There are no clear insurance CP rules in the Banking Law (2010) or the CP Law (2003).
- The Law on Insurance provides that “contractual relations between insurers and insured persons shall be regulated by the Civil Code.” The Civil Code regulates insurance contracts and includes minimal standards for policy contracts and minimum disclosure to clients. The policy contract does not have to indicate where or how to make a claim, how to contact the insurance company, or how to make a complaint. There are no guidelines for policy benefit illustrations, as might be required for long-term insurance policies. Notably, participants complain of the lack of a neutral mediator between clients and insurers on disputes over misleading sales practices, unfair loss assessments, or denied claims. Currently, disputes may be taken to the FRC but frequently have no authority other than refer the claimant to the courts (ADB, 2014).

#### **Box 9: CP program 2016-2020**

The government of Mongolia has approved CP program 2016-2020 by the Cabinet resolution no.233 in 2016. The program aims to provide regulatory environment that protects the interest of Mongolian citizens as consumers and improve the social responsibilities of suppliers. The program does not mention any article related to insurance sector.

#### **The results of the program will be the followings:**

- (1) Improved regulatory environment for consumers;
- (2) Related standards and other regulatory documents will be approved;
- (3) Consumer will have necessary knowledge for protecting themselves and their families;
- (4) System for consulting and providing consumers with necessary information regularly will be launched.
- (5) Improved capacity (both financial and human) of organizations operating in the area of consumer protection;
- (6) Consumer-oriented management will be a priority in businesses;
- (7) Increased participation of civil society organizations in the area of consumer protection.

**Challenges & recommendation in CP:** As there is no CP mechanism in Mongolia, the FRC needs to develop CP mechanism by studying practices of other countries. The following questions provide first insights into the CP-related challenges. These questions do not intend to provide a complete list of challenges; they can, however, show the magnitude of topics and challenges that arise when striving to understand and implement a multi-stakeholder, multi-topic CP agenda.

**Box 10: CP challenges**

1. Can the insurance associations assume a greater role here?
2. Is the disclosure to clients and beneficiaries effective?
3. Are the products always creating true value for the client?
4. How many complaints remain unresolved as they do not reach the FRC?
5. How can compliance by insurers and quality of reports be improved?
6. Is the capacity of the FRC staff sufficient to analyze products when they become increasingly complex?
7. Are there gaps in supervision at the intersection with other authorities?
8. Is the client and his demands and behavior sufficiently understood?
9. Which are the training requirements of FRC staff in CP?

### 3. Indicators measuring regulatory impact

#### 3.1 Defining impact areas and indicators

In Step 3 of the RIA-MI methodology, outlined in Section 1.1, we suggested that selected indicators on the impact areas and institutions are being defined. The reason for this approach is that objectives cannot be measured directly with a single variable, but rather, they require a set of variables. We wanted to implement a substantiate assessment, relying on a set of twelve quantitative and qualitative impact indicators, with data and information to show facts and highlight trends. We defined three major impact areas and developed detailed indicators along which impact will be measured in each of these areas. In an optimal world, regulatory impact indicators are set when developing the regulatory or strategic framework, and are derived from the policy objectives and various strategies. However, Mongolia does not have any strategy regarding inclusive insurance yet. Therefore, we propose the following three impact areas, as these areas reflect what was achieved in the market:

- market development (quantitative indicators)
- quality of institutional development (qualitative indicators)
- client value (quantitative indicators).

#### 3.2 Market development (quantitative data)

The first group, the market indicators, intends to measure the depth of market development considering the dimensions of insurers and intermediaries and their production and performance.

**Table 9: Market development indicators**

Indicator	Value (end of Dec) 2014-2016	Self-rating <sup>10</sup>
<b>Indicator 1:</b> # Insurers engaged in inclusive insurance	Life=0, Non-life=2	Good Progress
<b>Indicator 2:</b> # Intermediaries licensed exclusive for inclusive insurance	2014= 0, 2015=0, 2016=0	Significant improvement required
<b>Indicator 3:</b> # Inclusive Insurance Products approved	2014=0, 2015=2, 2016=2	Good Progress
<b>Indicator 4:</b> Inclusive Insurance coverage (# lives insured plus # COCs)	2014=0, 2015=92, 2016=1385	Significant improvement required
<b>Indicator 5:</b> # Lives insured under inclusive insurance	2014=0, 2015=0, 2016=0	Significant improvement required
<b>Indicator 6:</b> Non-life insurers' production (# of COCs) under inclusive insurance	2014=0, 2015=92, 2016=1385	Good Progress

Inclusive insurance market development in Mongolia is poor and at its initial stage. There are only two products had been registered as inclusive as of 2016. Total number of inclusive insurance coverage is 1,385 as of 2016. There is a need to expand the market by designing more products and involving more insurers. Currently, no lives are insured under inclusive insurance and it needs to be improved.

### 3.3 Institutional Development (qualitative data)

The achievements in institutional development can be noted at four levels: the insurers, the agents, the authorities and the meso level. It looks at the systems that were established, the processes, and the staff engaged.

**Table 10: Institutional Development Indicators**

Indicator	Value (end of Dec) 2014-2016	Self-rating
<b>Indicator 7:</b> Diversity of business models	FRC considering the need for a range of business model.	Significant improvement required
<b>Indicator 8:</b> Magnitude of formalization	FRC determined statement of inclusive insurance	Good Progress
<b>Indicator 9:</b> Supporting services and platforms	Working on the development of sales channels	Significant improvement required
<b>Indicator 10:</b> Capacity Development initiatives of FRC	Working group for inclusive insurance established in FRC	Good Progress
<b>Indicator 11:</b> Other authorities and development agencies engaged	Engagement of other authorities and agencies such as IPTA	Good Progress

### 3.4 Client value (quantitative data/ratios)

The following claims/loss ratio indicator measures the level of client value.

**Table 11: Client value**

Indicator	Value (end of Dec) 2014-2016	Self-rating
<b>Indicator 12:</b> Claims / loss ratio in inclusive Insurance (2014-2016)	Life = N/A Non-life = 54.7	Good Progress

<sup>10</sup> Rating could either be 'Excellent', 'Good Progress', or 'Significant improvement required'

## 4. Conclusions and strategic recommendations

### 4.1. Conclusions

Mongolia is a middle income country with population of 3 million. Mining and agriculture are main economic sectors and banking industry dominates the financial sector. Insurance sector in Mongolia is still underdeveloped. Inclusive insurance term was integrated in the regulation in 2014. Since then, three inclusive insurance products have been developed. The report concludes the assessment in the following five areas – private sector participation, regulation and supervision, formalization, financial literacy, and consumer protection.

**Private sector participation:** All commercial insurance companies are allowed to develop and launch inclusive insurance products in Mongolia if the designed products meet with the criteria for the inclusive insurance product. As of June 2017, there are the following three inclusive insurance products are registered at FRC. There is no specific licensing and reporting rule particularly for inclusive insurance providers and intermediaries. Insurers and intermediaries selling inclusive insurance are licensed same as traditional insurance providers and intermediaries. The report points out the following challenges:

- **Expansion:** As of end of 2016, inclusive insurance coverage is 1,385 which demonstrates that expansion of the market is a challenge.
- **Insurers' capacity:** As inclusive insurance market is quite new in Mongolia, insurers do not have much knowledge about developing inclusive insurance products.
- **Commissions:** Due to the characteristics of Mongolia which has small population of three million and sparse landscape, distributing insurance at low cost is very challenging.
- **Product variety:** So far, two property and one accident insurance products are developed as inclusive insurance products which are not sufficient compared to over 500 types of traditional products.
- **Distribution channel:** Distribution channel is a main challenge in Mongolian inclusive insurance market. Currently, main distribution channels are agents and brokers in Mongolia. The regulation does not prohibit engaging new distribution channels. Any companies and individuals except for civil servants can be agents. The FRC has already included e-signature in the regulation, "Rule of Criteria for Insurers" approved by resolution no. 48. It states that insurers can sell their insurance product using internet and they need to register the product and its distribution channel at the FRC. However, e-signature law is not fully implemented because Civil law states that insurer should deliver signed insurance agreement to insured.

**Regulation and supervision:** Currently, there is no financial inclusion strategy in Mongolia. MOF, BOM, and FRC have been drafting National program on developing financial market until 2025. MOF is in charge of overall financial sector policy and oversees the BOM. The FRC regulates and supervises NBFIs, including SCCs, non-deposit-taking lenders, capital markets, and insurance companies. "Special licensing, licensing, and registration rule for insurers and intermediaries", 2015 is the only regulation that include inclusive insurance. The following key elements are stated in the regulation.

- (5) the inclusive insurance definition
- (6) the criteria for inclusive insurance product

There are any other regulations applying to inclusive insurance market.

**Formalization:** Informal insurance is not widely practiced in Mongolia. The regulator and the industry do not consider informal insurance as an issue in Mongolia and there are no policies developed and actions taken regarding informal insurance.

**Finlit:** Low level of Finlit is a challenge in developing inclusive insurance market in Mongolia. Although there are no specific Finlit activities regarding inclusive insurance, the regulators have a good understanding of the necessity of Finlit. “Finlit program” has been approved jointly by The Ministry of Education, MOF, FRC, and BOM in 2015. The program is implemented between 2016- 2021. The program aims to provide financial education specific topics including insurance, life insurance, and social insurance.

**Consumer protection:** Currently, there is no distinct/alternative mechanism for clients of inclusive insurance to address claims dispute both at the level of insurers and in FRC. Introducing Ombudsman system is drafted in the National program on developing financial market until 2025. There is no special mechanism of FRC to ensure that clients of inclusive insurance are sufficiently informed about their rights and about the products of insurers. In the Insurance law, it states that insurers should provide customers with necessary information as a duty of insurers. In mortgage insurance, the FRC is going to introduce statement by the insured that requests the customers to check their choice regarding insurance terms and companies.

## 4.2. Strategic recommendations

**Table 12: Strategic area 1 – Private sector participation**

Specific area	Recommendations
Expansion	Continuous promotion and information provision of inclusive insurance by policymakers and MIA is important as insurers will gain an understanding of benchmarks and potential for success. If the insurance providers can cooperate and share their common costs (i.e. data, raising public awareness, and training) they may be able to expand their market.
Insurers’ capacity	There is a lack of inclusive insurance knowledge among insurers. Training programs through the insurance training institute designed to train on inclusive insurance specific issues could be helpful.
Commissions	More innovative distribution using large aggregators such as cooperatives and MNOs will be important to manage commissions so that products remain affordable and continue to provide value to clients.
Product variety	The supervisory system does not make special allowance for the establishment of pilot schemes offering innovative products to inclusive insurance markets. Pilot schemes could be helpful for increasing product variety.
Distribution channel	Explore partnership with potential large aggregators such as coops member-based organizations and entities with broad network such as MNOs and consumer stores.  It is important to introduce technology as a distribution channel. The FRC may cooperate with other government agencies such as IPTA to make this happen.

**Table 13: Strategic area 2 – Regulation and supervision**

Specific area	Recommendations
the inclusive insurance definition	<p>Clearer definition of inclusive insurance is needed as some RIA FGD participants pointed out. According to the participants, affordable can be specified by setting interval (amount) or cap (percentage of minimum salary level etc.,) of inclusive insurance premiums. Some mentioned that 5 exclusions restricts products for the mass to register as an inclusive insurance. The FRC should study other countries' definitions and modify the definition adjusting to Mongolian context. For example, inclusive insurance can be defined clear by including both quantitative and qualitative definition. Quantitative definition can be setting premium cap and maximum coverage for inclusive insurance. Qualitative criteria are related to the client type, contract features and product details, namely:</p> <ul style="list-style-type: none"> <li>✓ The insurance business activity of providing specific insurance products that meet the needs of the disadvantaged for risk protection and relief against distress or misfortune.</li> <li>✓ Contract provisions that are to be easily understood by the insured, such as simple documentation requirements, and a manner and frequency of premium collections that coincide with the cash-flow of, or are otherwise not onerous for, the insured.</li> <li>✓ Requires inclusive insurance policies to clearly identify the face amount, benefits, and terms of the insurance coverage.</li> <li>✓ Defines rules on product bundling.</li> <li>✓ Evaluation of performance of providers based on Performance Standards.</li> </ul> <p>The use of the Inclusive insurance logo in the policy contracts can be helpful for customer to easily recognize inclusive insurance. This could be a good marketing for inclusive insurance.</p>
Regulation that promotes private sector participation	<p>Regulation should maintain private sector participation in inclusive insurance market. For example, other countries such as the Philippines implement different capital treatment for those insurers and brokers who provide 50% of their portfolio in inclusive insurance.</p>
Product-related rules	<p>The product-related rules issued refer to the needs of the target market that must be considered for inclusive insurance products. Importantly, they also define rules for the policy, such as standard contract, bundling, the use of a logo, product re-approval, documents required and the payments.</p>
Alternative dispute resolution in inclusive insurance	<p>It is important to implement alternative dispute resolution in inclusive insurance. It sets out the qualifications of mediators-conciliators, and their training, responsibilities and code of conduct. It also describes the principles and procedures of claims-related dispute resolution mechanisms which should be least cost, accessible, practical, effective and timely. Last but not least, it emphasizes CP as well as the protection of the insurance industry against illegitimate claims. The FRC should be moving toward this by being closer to this system step by step. This could start from making research regarding this and prepare its capacity.</p>
FRC staff training in inclusive insurance	<p>Training of the staff of the FRC would benefit from a comprehensive approach and systematic planning and implementation, based on a thorough needs assessment. Training – in various forms, for all staff in touch with inclusive insurance, and about a variety of topics – will be a central element for the FRC in facing the challenges of the growing inclusive insurance market with focus on inclusion.</p>

**Strategic area 3 – Formalization:** We consider informal insurance is not an issue in Mongolia.

**Table 14: Strategic area 4 – Finlit**

Specific area	Recommendations
Finlit	The FRC needs to design Finlit strategy for inclusive insurance and implement specific Finlit measures in line with the strategy. Target-group oriented and thematic Finlit efforts, as well as follow-up campaigns, are a way to “go deeper” in improving Finlit.

**Table 15: Strategic area 5 – CP**

Specific area	Recommendations
Consumer protection	The FRC needs to develop CP mechanism by studying practices of other countries.

## Annexes

**Appendix 1: Mongolia: Indicators in the three RIA Impact Dimensions**

	Indicator	Value (end of Dec) 2014-2016	Self-rating
Market development (qualitative data)	# Insurers engaged in inclusive insurance	Life=0 , Non-life=2	Good Progress
	# Intermediaries licensed exclusive for inclusive insurance	2014= 0 , 2015=0 , 2016=0	Significant improvement required
	# Inclusive Insurance Products approved	2014=0 , 2015=2 , 2016=2	Good Progress
	Inclusive Insurance coverage (# lives insured plus # COCs)	2014=0 , 2015=92, 2016=1385	Significant improvement required
	# Lives insured under inclusive insurance	2014=0 , 2015=0 , 2016=0	Significant improvement required
	Non-life insurers’ production (# of COCs) under inclusive insurance	2014=0 , 2015=92, 2016=1385	Good Progress
Institutional development (qualitative data)	Diversity of business models	FRC considering the need for a range of business model.	Significant improvement required
	Magnitude of formalization	FRC determined statement of inclusive insurance	Good Progress
	Supporting services and platforms	Working on the development of sales channels	Significant improvement required
	Capacity Development initiatives of FRC	Working group for inclusive insurance established in FRC	Good Progress
	Other authorities and development agencies engaged	Engagement of other authorities and agencies	Good Progress
Client value (quantitative data)	Claims / loss ratio in inclusive Insurance (2014-2016)		Good Progress

## Appendix 2: Insurance Statistics - Mongolia

<b>A) Insurance Coverage (industry-wide) (in million)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1. Life (# lives insured)	14,551	63,506	349,572
2. Non-Life/General Insurance (# Certificate of Cover)	42,015,848	56,988,415	60,685,665
<b>TOTAL</b>	<b>42,030,399</b>	<b>57,051,921</b>	<b>61,035,237</b>
<b>B) Inclusive Insurance Coverage</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1. Life (# lives insured)	0	0	0
2. Non-Life/General Insurance (# Certificate of Cover)	-	92	1,385
<b>TOTAL</b>	<b>-</b>	<b>92</b>	<b>1,385</b>
<b>C) Number of insured lives</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1. Industry-wide	14,551	63,506	349,572
2. Inclusive Insurance	-	0	0
<b>D) Net Premium written (in millions) - Industry</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1. Life	1,419	1,628	1,244
2. Non-Life/General Insurance	72,524	68,059	71,662
<b>TOTAL</b>	<b>73,943.5</b>	<b>69,687.2</b>	<b>72,906.7</b>
<b>E) Net Premium written (in millions)-Inclusive Insurance</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1. Life	-	-	-
2. Non-Life/General Insurance	-	2	29
<b>TOTAL</b>	<b>-</b>	<b>1.7</b>	<b>29.4</b>
<b>F) Total Assets (in Millions)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1. Life	6,498	8,340	7,520
2. Non-Life/General Insurance	146,025	138,805	165,854
3. Reinsurance company	-	26,056	35,043
<b>TOTAL</b>	<b>152,523.0</b>	<b>173,200.1</b>	<b>208,416.7</b>
<b>G) Loss Ratio or Claims Ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1. Industry-wide	43.0%	46.0%	42.2%
<b>2. Inclusive Insurance (Average)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
2.1 Life	0.0%	0.0%	0.0%
2.2 Non-Life/General Insurance	0.0%	0.0%	54.7%
<b>H) Number of Licensed Insurance Intermediaries</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>1. Direct Sales Agents (direct employees of insurers)</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.1 Life	n/a	n/a	n/a
1.2 Non-Life/General Insurance	n/a	n/a	n/a
<b>2. Insurance Agents (institutions and individuals)</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Life	3,091	3,340	3,260
2.2 Non-Life/General Insurance			
<b>3. Inclusive Insurance agents ONLY</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 Institutions (i.e. banks, coops, MFIs, stores)	n/a	n/a	n/a
3.2 Individuals	n/a	n/a	n/a
<b>4. Insurance Brokers</b>	<b>24</b>	<b>29</b>	<b>31</b>
<b>5. Insurance Brokers - BANKS</b>	<b>8</b>	<b>8</b>	<b>9</b>

## Appendix 3: Mongolia RIA Research Grid: Strategic objectives and stakeholders with topics

Stakeholders Strategic Goals	Insurers	Intermediaries	Authorities	Meso level actors
<b>1. Private Sector</b> Participation of the private sector > <a href="#">FRC regulation 407 (2014)</a> > <a href="#">FRC Decree 240 (2014)</a>	<ul style="list-style-type: none"> <li>Number</li> <li>Premiums / claims</li> </ul>	<ul style="list-style-type: none"> <li>Number</li> <li>Types (banks, non-banks, coops, shops)</li> </ul>	<ul style="list-style-type: none"> <li>Licensing of microinsurers and intermediaries</li> <li>Approval of products</li> <li>Reporting</li> </ul>	<ul style="list-style-type: none"> <li>New actors; new roles or services (associations, actuaries, training institutions)</li> </ul>
RIA indicators matrix (3 impact dimensions), year 2014-2016				
<b>2. Regulation, Supervision, Policy (RSP)</b> Policy and regulatory environment for safe and sound provision > <a href="#">FRC regulation 407 (2014)</a> > <a href="#">FRC Decree 240 (2014)</a>	<ul style="list-style-type: none"> <li>Licensing (incentives)</li> <li>Reporting (compliance and burden)</li> </ul>	<ul style="list-style-type: none"> <li>Licensing</li> <li>Training</li> <li>Reporting (compliance and burden)</li> </ul>	<ul style="list-style-type: none"> <li>Capacity of supervisor (shifts)</li> <li>Interagency cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Support for compliance</li> <li>Capacity building</li> <li>Changes in approach to pricing and risk</li> </ul>
<b>3. Formalization</b> Mainstreaming of informal insurance > <b>No specific regulation</b>		<ul style="list-style-type: none"> <li>Alternative distribution channels licensed as intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>Supervisory response to formalization</li> </ul>	
<b>4. Literacy</b> Institutionalization of Finlit, strong insurance culture > <b>No specific regulation</b>	<ul style="list-style-type: none"> <li>Role in Finlit (FL)-development, implementation</li> <li>Leveraging of govt. Finlit programs</li> <li>Institutionalization of FL</li> </ul>	<ul style="list-style-type: none"> <li>Role in Finlit – development, implementation</li> <li>Leveraging of govt. Finlit programs</li> <li>Institutionalization of FL</li> </ul>	<ul style="list-style-type: none"> <li>Role in Finlit</li> <li>Programs in FL</li> <li>Evolution of messages</li> </ul>	<ul style="list-style-type: none"> <li>Role in Finlit</li> <li>Institutionalization of FL components (training, pricing)</li> </ul>
<b>5. Consumer Protection</b> Rights and privileges of the insured poor are protected > <b>No specific regulation</b>	<ul style="list-style-type: none"> <li>Changes in controls for consumer protection</li> <li>Effective system of recourse</li> <li>CP in product design</li> </ul>	<ul style="list-style-type: none"> <li>Effective controls</li> <li>Oversight</li> </ul>	<ul style="list-style-type: none"> <li>MI ombudsman or other system</li> <li>Issues tracking</li> <li>Duration to claims or dispute settlement</li> </ul>	<ul style="list-style-type: none"> <li>Institutionalized in trainings</li> </ul>

Source: Adapted from the RIA-MI Philippines design prepared by the Microinsurance Center

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Insurance law (2004)

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Consumer protection law (2003)

Civil code (2002)

Banking law (2010)

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Law on Cooperatives (2011)

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## **Imprint**

### **Published by:**

Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH

### **Registered offices:**

Bonn and Eschborn, Germany

### **Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia)**

Insurance Commission Complex  
United Nations Avenue, Manila City  
Philippines  
T +63 2 3534011 to 45  
F +63 2 3531043  
[www.giz.de](http://www.giz.de)  
[www.inclusiveinsuranceasia.com](http://www.inclusiveinsuranceasia.com)

### **As of**

December 2017

### **Design and Layout:**

VJ7 Printing and Packaging, Inc.  
Manila, Philippines

### **Photo credits/sources:**

GIZ/Ganchimeg Bathuluun  
FRC/Ulziibat Molomjamts

### **Author**

Ganchimeg Batchuluun

### **Editor**

Dante Portula

### **URL links:**

[www.mefin.org](http://www.mefin.org)

GIZ is responsible for the content of this publication.

On behalf of the  
German Federal Ministry for Economic Cooperation and Development (BMZ)

Deutsche Gesellschaft für Internationale Zusammenarbeit  
Regulatory Framework Promotion of Pro-Poor Insurance Markets in Asia  
RFPI Asia Office, Insurance Commission  
1071 UN Avenue, Ermita, Manila 1000  
T: +63 2 353 1044 to 45  
F: +63 2 353 1043  
M: +63 998 841 0732  
E: [antonis.malagardis@giz.de](mailto:antonis.malagardis@giz.de)  
I: [www.giz.de](http://www.giz.de); [www.inclusiveinsuranceasia.com](http://www.inclusiveinsuranceasia.com)