Good morning, Mr. Barnier, Mr. Balbinot, Excellencies, Ladies and Gentlemen. When I received the invitation to speak at this gathering, I gladly accepted because insurance plays an extremely important role in building inclusive financial systems for development. And inclusiveness is not only about development, but also stability. It has a strong relationship with stability, an issue that Mr. Balbinot touched upon.

When talking about financial inclusion, I find it helpful to share a definition. Financial inclusion is universal access, at a reasonable cost, to a wide range of financial services, provided by a diversity of sound and sustainable institutions. This is for individuals and small and medium-sized enterprises. What is important is what financial services help us to achieve—savings for education, an investment to grow a company, insurance for medical care. Yet, two and a half billion people around the world do not have access to the kinds of financial services that you and I rely on every day. As a result, millions of families, farmers and entrepreneurs must use informal means to make sure they have cash when they need it.

Now, these informal financial tools are time consuming and expensive. And, they are not always adequate to meet the needs of the people. We see this especially after unexpected events such as a flood that destroys crops and homes. And, in many poor communities, some risks affect whole communities so neighbors are not available to help each other out. So, too often, people sell productive assets, pull children out of school or take an expensive loan so they can replant and rebuild. This affects current consumption and has long-term consequences. In fact, illness or a physical accident is one of the main reasons why people in the developing world fall into poverty.

And that is exactly insurance’s very reason for existence. To protect people against this. So, we need to provide proper insurance products. The issue is how can we create an inclusive insurance market that is sustainable and that creates the impact we are looking for.

In the Netherlands, 90% of the population is covered by private health insurance. So we can say that here and across Europe, the issue is not really access but better usage. In developing countries, however, access is a first concern. In Africa, only 2% of the population has private health insurance. But also payments and banking services in general have huge access problems.

Together, these can present even more challenges as they depend on each other. Even if we bring a good insurance product to market, how do we collect frequent premiums or pay benefits quickly if each requires the client to travel on a bus for hours and wait in line with cash?

The good news is that there is already a lot of innovation changing this situation. While only one-fourth of Africans have a bank account, in some countries already more than 90% have access to a mobile phone. People are using phones to pay insurance premiums easily and cheaply. And insurance companies are partnering with mobile phone operators, microfinance institutions and others to provide insurance through existing infrastructure.

After access, how do we get to take up usage? This is not only an issue in poor countries. One of the papers for this conference points out that 80% of households in the United Kingdom have property insurance. But among the poorest 10% of the population, only half of them have it. Why is this?

I think we can all agree it is not because a poor person values his home any less. In fact, research shows us that around the world, people in lower income segments are very aware of risks. This is logical because the consequences can be harder on them. But then, why don’t they buy an insurance product?

Although it can be difficult for us to understand, low-income people have good reasons for their choices. For
example, in Brazil, poor households frequently choose to spend more money in buying better quality goods or move to a more secure house before spending it on insurance. Or in Rio, an insurer discovered that homes were owned by a whole group of living in family members. So the insurer had to sign a contract with the whole family instead of just one family member. Ever since, the use of insurance started to take off. This shows us that knowledge of the local context is very important to design fitting products for usage.

This brings me to my next point. Well-informed customers are best able to choose the right products for their needs. And when this happens, we get increased demand. Basic knowledge begins with knowing that insurance is available and how it can help. One CEO realized that his poor clients in new markets associated life insurance with attracting death, rather than protecting the widow from debt. Their only experience of a benefit came when someone died. In comparison, indemnity for a visit to a hospital, which people experience throughout their lives, is proving highly educational for the whole community.

But basic knowledge is not always sufficient. Trust is a key factor for lower-income clients in developing countries. And this depends on experience and also information. The more a person understands the insurance, the more his expectations will match the actual experience. Being well-informed is thus not only knowing about available options but understanding obligations, costs and benefits as well.

This is why financial education efforts are so important, especially in developed countries where access already exists. In the Netherlands, the national Money-Wise Platform is effectively raising financial awareness and increasing capability through outreach, including a Money Week, free pension education and education for youth. I am thrilled that so many members of Insurance Europe are also engaged in national literacy efforts. For example, the Dutch Insurance Association supports our Money-Wise Platform and provides guest lectures in schools and instructive board games, among other activities. I encourage all of you to see what more you can do in your own countries to deepen similar efforts. I am also encouraged that the OECD has proposed financial education to be part of its PISA educational assessment going forward. This will of course help to get financial education in the curricula of schools.

Finally, to get the impact that we desire, we need products that offer value by meeting the needs of lower income clients. There are many exciting innovations. Like flexible premium schedules that respond to unpredictable incomes. Business processes that review claims in two days to provide the benefit when it is most needed. Or, combining insurance with other financial products. In Sri Lanka, weather-based index insurance together with credit makes the farmer a more attractive candidate for a loan and reduces the cost of the loan. In Brazil, a small savings account with insurance helps customers pay their premiums.

By value, I also mean contribution to social-economic welfare. Sometimes things that are highly demanded have no real impact. And things that are not demanded can have a very big impact. Like preventative health care. This is one reason why countries including Brazil and Mexico are making cash transfers to poor households conditional on visits to health clinics. And as all of you know, insurance and prevention go hand in hand. This is an area where public-private partnerships can be especially effective.

In closing, if we want to build inclusive insurance markets that have impact, the challenge is to understand clients in their local contexts very well. To do so, I believe insurance providers should work closely with governments, civil society and communities. Building this understanding and building client trust in products takes effort and time. But it is worth it, as you all know.

I think we have a tremendous opportunity to make a difference in the lives of poor people and whole communities around the world. This should be done through the right insurance products, delivered at the right price and in the right place. We can do this by building access, fostering demand through trust and financial literacy, and creating impact through products with real value.

Thank you.