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## **Seminar on Risk Protection Mechanisms for SMEs to Strengthen Inclusive Insurance in Mongolia**

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## Acronyms

JICA – Japan International Cooperation Agency

GIZ – German International Cooperation

MoF – The Ministry of Finance

NBFI – Non-Banking Financial Institution

LGF – Loan Guarantee Fund

RFPI Asia - Regulatory Framework for Pro-poor insurance markets in Asia

FRC – Financial Regulatory Committee

USAID – United States Agency for International Development

IFAD - International Fund for Agricultural Development

MIA – Mongolian Insurers' Association

MOE – Ministry of Education

MFI – Microfinance institutions

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## 1 Background

The insurance industry in Mongolia is currently small and is still in its development stage. The share of the insurance industry is 0.7% of the whole financial sector. Banking sector dominates holding 95% share of the financial sector in Mongolia. NBFIs including saving and credit cooperatives are about 2.4% of the financial sector. 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. On August 27, 2014, The Financial Regulatory Commission (FRC) issued Resolution No.303 defining inclusive insurance by identifying the features of inclusive insurance.

In Mongolia, no insurance products to date have been documented to specifically cater to the SME sector. The Ministry of Labor reported in November, 2013 that more than two-thirds of the 90,000 businesses registered are classified as SMEs. Small companies generate around 20% of Mongolia's GDP and provide employment of 70% of the national workforce. This underscores the strong potential of the SME sector for inclusive insurance.

MFI such as NBFIs can play an important role for developing inclusive insurance market for SMEs. Some SMEs cannot access to conventional bank loans because of high interest rate, stringent requirements, and lengthy loan approving process. Mongolian government supports SMEs by financing SMEs with lower-interest rate in cooperation with international organizations. All these lower-interest rate loans are disbursed through banks. Providing NBFIs with these low-cost funds can help to reach more vulnerable SMEs.

There are other challenges in insurance sector such as lack of effective distribution channels to reach SMEs. The role of regulation is important in inclusive insurance development and needed to be improved.

The GIZ – Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (GIZ-RFPI Asia) is a regional program that promotes inclusive insurance in Asia. Since 2013, it partnered with the FRC for the development of inclusive insurance in Mongolia. An exploratory study on SMEs was conducted which guided initial activities in defining and promoting micro or inclusive insurance for this sector.

In 2016, GIZ-RFPI Asia established its Business Advisory Group (BAG) whose role is to provide assistance to private insurance companies to develop their own inclusive insurance products or business models. In June 2016, GIZ-RFPI Asia sent a BAG Mission to Mongolia. The Mission visited three insurance companies which were nominated by the FRC, namely: Monre Insurance LLC, Mongol Daatgal LLC and Ulaanbaatar City Insurance LLC. Since then GIZ-RFPI team has been cooperating with these three insurance companies in Mongolia.

This seminar is an activity that was identified as an effective strategy to further increase awareness and gain wider participation of both the public and private sectors in promoting and developing inclusive insurance in Mongolia especially for SMEs.

## 2 Objectives

The main purposes of the seminar are to: (a) share experiences and potentiality of microfinance involvement in inclusive insurance development and (b) explore possibilities of risk management options from SMEs perspective.

## 3 Participants

Totally 89 participants attended in the seminar, six representatives are from regulators and policy-makers of insurance and finance industry (MoF and FRC), nine participants from associations and chamber of commerce (MIA, NBFIs' association and Mandatory insurance association), 48 participants are from 13 insurance companies, 12 participants from lenders and fund organizations of SMEs (banks, NBFIs, SME development fund, JICA, and LGF), 6 participants from international organizations (GIZ, USAID, and IFAD), and 10 participants from other organizations and SMEs (see list of Participants Annex 1).

## 4 Programme

The seminar combined presentations and panel discussions (See detailed agenda Annex 2). After the opening remarks by the managers of GIZ-RFPI, FRC, MIA and Monre Insurance LLC, five topics were presented in the morning session. The topics provided participants with knowledge and information about Mongolian insurance market development, future possibilities and policies, international practices of inclusive insurance especially for SMEs, and SME risks and risk protection mechanisms. Presentations were followed by two sessions of panel discussions on "The role of Microfinance in inclusive insurance development" and "Challenges and possibilities of insurance market development for SMEs".

## 5 Proceedings

### 5.1 Welcome remarks and opening



#### **Dr. Antonis Malagardis, Program Director of GIZ-RFPI Asia II.**

Dr. Antonis Malagardis welcomed the participants to this event, which is the first of its kind. He provided a brief background of the involvement of FRC in inclusive insurance and its positive response to the invitation of GIZ RFPI Asia in 2013 to join the RFPI Asia program. FRC represented Mongolia as one of the six countries that signed the Cebu Declaration of May 2013 forming the MEFIN. Initial outputs of GIZ RFPI Asia and FRC in the period 2013-2014 include the following: Orientation seminar on MI, establishment of a Joint Working Group on Inclusive Insurance which led to the drafting and endorsement of the

MI Strategy by the MoF, a study on insurance regulation in Mongolia, approval of the definition of inclusive insurance as part of the Insurance Development Plan of Mongolia and a market assessment for SME insurance in Mongolia. The formalization of MEFIN as a network of Asian regulators in February 2016 led to a more active participation of the member countries in developing and

promoting inclusive insurance in the region. For its part, Mongolia, through FRC, leads the MEFIN TWG on Regulation and Supervision, one of the 4 TWGs of the Network. The Business Advisory Group (BAG), which was set-up by GIZ RFPI Asia acts as ‘Microinsurance business incubator’ has its first mission in Mongolia in June 2016. Through the recommendations of FRC, the mission met with three insurance companies and identified business models which have the potential for further development. Business models are shared among MEFIN countries mainly through the MEFIN Public-Private Dialogue (PPD) which is held twice a year. Dr. Malagardis concluded his opening remarks by highlighting the fact that through this seminar GIZ RFPI is bringing the PPD to the country level for the first time and that PP partnerships are one of the most promising ways to achieve sustainable results.

**Mr. Bum-Erdene Khariyu, Deputy Chairperson, FRC**



Mr. Bum-Erdene emphasized the importance of this unique event that gathered private and public sector as well as other stakeholders. On behalf of FRC, he expressed its pleasure that Mongolia became member of MEFIN and started cooperation with GIZ-RFPI. He affirmed that FRC and RFPI would continue their cooperation to bring up more favorable regulatory environment for developing inclusive insurance. He continued his speech by encouraging insurance companies to develop and offer inclusive insurance products to low-income people and SMEs.



**Mr. Batjargal Jamsran, CEO of Mongolia's Insurer's Association**

Mr. Batjargal was delighted to give the opening speech in this seminar and appreciated for organizing this event. He accentuated the need of developing inclusive insurance in Mongolia and expressed MIA's interest and willingness to cooperate with other stakeholders to foster insurance sector in Mongolia.

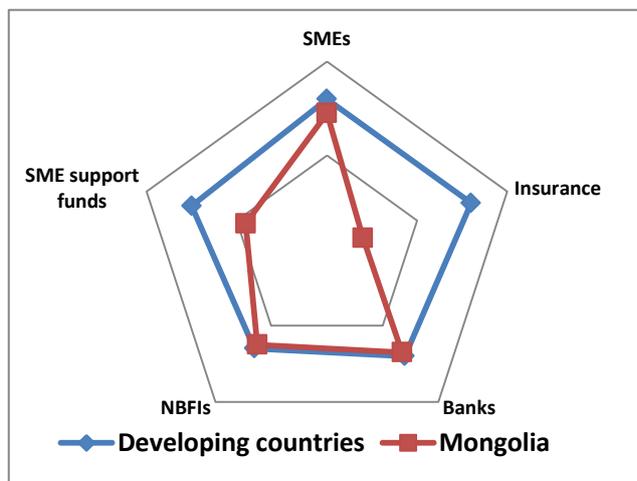
**5.2 Mr. Erdenebaatar Purevjav, CEO Monre Insurance: Models of cooperation to promote inclusive insurance**



Mr. Erdenebaatar, CEO of Monre insurance, as a co-organizer of the seminar presented his ideas on possible cooperation to develop inclusive insurance in Mongolia. He was very pleased to co-organize this seminar and found this event as an opportunity to maintain enthusiasm among insurance stakeholders and to provide platform for open discussion about challenges, problems, and possibilities in Mongolian insurance industry.

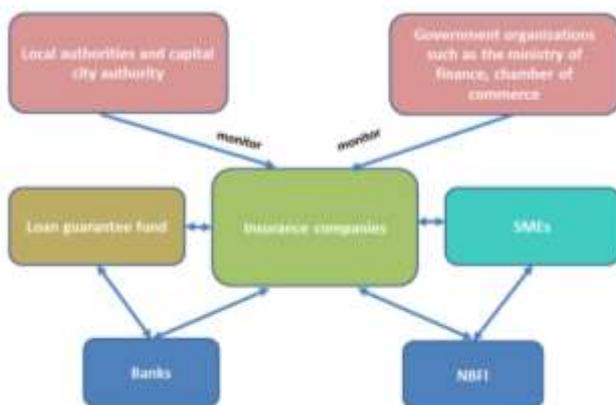
He showed the Figure 1 illustrating how Mongolian insurance market and SME support lag behind other developing countries. Development of other sectors those have roles in promoting inclusive insurance for SMEs such as MFIs and banks are almost on the same level with other developing countries. However, insurance sector development is lagging behind.

**Figure 1: Development comparison of financial sectors for SMEs**



He also shared some statistics demonstrating the need of developing insurance market in Mongolia. For example, the share of premium in GDP in Mongolia is 11.6 -13 times lower than that of developing countries and 29-46 times lower than that of developed countries. He emphasized that SMEs and insurance companies need to cooperate on mapping risks which SMEs face and develop inclusive insurance products those have low premiums, flexible payment mechanisms, and protecting SMEs from potential risks. He also suggested

establishing reliable database for underwriters for more accurate calculation.



**Figure 2: Possible cooperation of stakeholders in insurance industry.**

Mr.Erdenebaatar invited all stakeholders such as government, local authorities, banks, NBFIs, government fund organizations in insurance industry to cooperate in developing insurance market in Mongolia towards inclusiveness by reaching SMEs.

At the end of his speech, Mr.Erdenebaatar concluded and **suggested** the following:

1. There is a need of cooperation among stakeholders;
2. It is necessary that regulators promote cooperation between MFIs and insurance companies and provide a favorable legal environment designed to stimulate the cooperation.
3. It is important to develop a system that enables insurance companies to offer comprehensive financial services to their customers in order to develop inclusive insurance in Mongolia.



**5.3 Mr. Munkhdemberel, Ministry of Finance: A snapshot of Mongolian insurance development in the frame of financial inclusion**

The second speaker was from the Ministry of Finance and he provided some measures that the ministry plans to implement for improving legal environment and developing insurance market in Mongolia. The Table 1 shows the measures.

**Table 1: Planned measures of the Ministry of Finance**

No	Policy measures	Legal measures
1.	To establish an ombudsman or public advocate aimed at advancing insurance dispute resolution procedure	To make necessary amendments in insurance law
2.	To increase the insurance reserve fund of ordinary and life insurance by improving taxation policy	To make necessary amendments in law on insurance intermediaries
3.	To establish national re-insurance company and reduce cash outflow paid to overseas re-insurance companies	To make necessary amendments in drivers' insurance law
4.	To develop public-private partnered export insurance products	To make amendments to index-based livestock insurance law
5.	To improve insurance loss adjustment	To draft and enact agricultural insurance law
6.	To promote micro-insurance products	To draw up and launch national financial sector development programme until 2022
7.	To introduce early warning system that examines insurance companies' financial situation, calculates financial indicators and informs public	To amend law on bank deposit and savings with the aim of advancing legislation on insurance guarantee fund
8.	To transfer some responsibilities of the government to professional associations	To initiate and enact legislations such as law on professional liability insurance that will extend the scope of mandatory insurance.



#### **5.4 Mr. Ulziibat Molomjants, Director of Insurance Department, Financial Regulatory Commission: Insurance market development in Mongolia**

Mr. Ulziibat, representing FRC, provided the audience with the latest statistics of insurance market, considerable changes in terms of legal framework, sustainable development, and achievements in the last 3 years. He further presented some challenges and possibilities to develop the Mongolian insurance industry.

**Table 2: The number of players in Mongolian insurance market**

No		2012	2013	2014	2015	2016-II
1	Ordinary insurance companies	17	16	16	15	15
2	Life insurance companies	1	1	1	1	1
3	Re-insurance companies				1	1
4	Insurance agents	2,357	3,187	3,260	3,340	3,020
5	Insurance brokers	17	20	30	37	39
6	Insurance loss adjusters	9	14	20	27	30
7	Actuaries	18	15	15	15	15
	<b>Total</b>	<b>2,419</b>	<b>3,253</b>	<b>3,244</b>	<b>3,436</b>	<b>3,121</b>

As of 2<sup>nd</sup> quarter of 2016, totally 15 insurance companies that offering ordinary insurance products and one life insurance companies have been operating in Mongolia with the market share of 1.8%. The first and

only re-insurance company, Agriculture Re-insurance Joint Stock Company, was established in 2015.

**Figure 3: Total assets and premium amount in MNT**



**Figure 4: Insurance penetration**

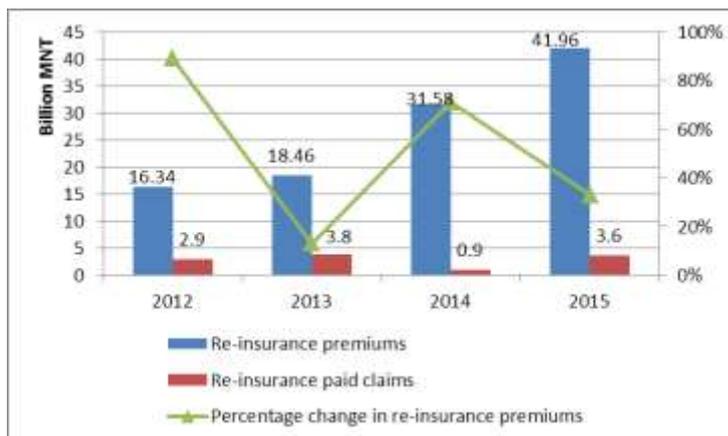


Total assets and premiums amount have been increasing in Mongolia in the last 5 years. However, insurance penetration (premiums as a percentage of GDP) has been decreasing slightly due to higher rise in GDP in the given period. He continued his presentation with the following information about premiums by insurance types. Ordinary insurance premiums are collected from the following five main insurance products:

- ✓ 36% from property insurance;
- ✓ 20% from motor vehicle liability insurance;
- ✓ 14% from vehicle insurance;
- ✓ 10% from accident insurance;
- ✓ 7% from liability insurance.

Life insurance premiums are from 4 major insurance products which are 72% from health insurance, 21% from life insurance, 5% from savings insurance, and 3% from pension insurance.

**Figure 5: Insurance premiums and paid claim amount**



In the last 4 years, total amount of re-insurance premiums has been irregularly increasing and 3-21% of premiums were annually paid for claims between 2012 and 2015. Overall, 10% of re-insurance premiums were paid for claims.

Loss ratio including re-insurance premium and claim amount was between 28.7% and 32.2%, loss ratio excluding re-insurance amounts was between 35.1% and 46% in 2012-2015.

**Table 3: Changes in the Mongolian insurance market since 2014**

Changes			
Regulation	Sustainable development	Maintaining supply side	Promoting demand side
<p>A new accounting rule for insurance companies was imposed in 2015.</p> <p>Amendment to the rule on additional financial statement of insurers and insurance intermediaries was made.</p> <p>Insurance related operation, requirements and indicators those insurers should comply with was updated.</p> <p>Regulation on supervision and criteria for solvency of re-insurers was newly imposed.</p> <p>An rule on setting up and collecting regulatory service fee was amended.</p> <p>A rule on acquiring licenses permitting to carry out insurance and insurance intermediaries operation was issued.</p> <p>A Rule on actuary licensing, actuary standards and assessments, actuary monitoring and reporting was enhanced.</p> <p>A rule for raising, allocating and monitoring reserve funds of ordinary insurance companies was advanced;</p> <p>A solvency assessment guideline for ordinary insurance companies was enhanced.</p>	<p>The first agriculture re-insurance company was established following index-based livestock insurance law.</p> <p>Temporary tourist drivers and drivers transiting through Mongolia started to purchase driver's insurance.</p> <p>Related legislation was amended with the aim of strengthening insurance companies' governance</p> <p>Inclusive insurance and its criteria were defined.</p> <p>Calculation of insurance reserve fund and accounting of insurance companies have met with international standards.</p> <p>Monitoring mechanisms of insurance products has improved.</p> <p>Actuary standards of insurance companies have improved.</p>	<p>Investment fund had become available for insurance companies to save their reserve fund. The limit of trust fund amount for insurance companies to save in NBFIs has increased.</p> <p>Regulatory service fee which insurance companies and intermediaries regularly pay for FRC has been reduced.</p> <p>Requesting special licenses and ordinary licenses and registration procedure was simplified.</p> <p>Related regulations were amended with the aim of enabling to sell e-insurance products.</p> <p>Legal entities obtained special license of Saving and Credit operation from FRC are allowed to become insurance agents.</p> <p>Insurance contract no longer has limited duration that should be complied.</p>	<p>FRC started to run a department dealing with conflicts and complaints from insured people.</p> <p>Amount of insurance agents' commissions has become transparent and informed to public via insurance companies' websites.</p> <p>"Improving public financial literacy" program was designed and approved by President of Bank of Mongolia, secretary of MOF, secretary of MOE, Chairperson of FRC in 2015.</p> <p>Exclusions of particular insurance products have been informed publicly via FRC website.</p>

At the end of his presentation, Mr.Ulziibat shared some challenges and necessary actions to further develop insurance sector in Mongolia. He mentioned the following **challenges**:

- ✓ Poor financial education and low level of trust in the insurance providers;
- ✓ Lack of skilled professionals in insurance industry;
- ✓ Low solvency of the insurance providers and high premium payments to foreign re-insurance;
- ✓ No regulation on resolution of insurance claims in conflict;
- ✓ Poor distribution channel and lack of professional operation of insurance agents, brokers, and loss adjusters;
- ✓ Unfavorable social insurance system and taxation policy.

**Necessary actions pointed out by Mr.Ulziibat:**

- ✓ Improve skills of staffs working in insurance sector;
- ✓ Set up a database of insurance sector;
- ✓ Encourage and promote insurance companies to introduce risk assessment system designed for themselves to assess their risks and launch risk-based monitoring mechanism;
- ✓ To increase insurance penetration by offering inclusive insurance to low income sector
- ✓ Develop and promote life insurance sector in Mongolia
- ✓ Developing re-insurance market in Mongolia.

**5.5 Mr. Stefan Hanselmann, Director, GIZ Integrated Mineral Resources Initiative (IMRI): Mining communities and possible cross cutting aspects with risk management mechanisms**



Mr.Stefan Hanselmann from GIZ team in Mongolia talked about GIZ operation in the world particularly in Mongolia, GIZ-IMRI operation regarding SME risk management. Mongolian-German cooperation has priority areas of biodiversity, energy efficiency, sustainable mineral resource management and has been implementing the following programs in Mongolia.

- Integrated Mineral Resource Initiative
- Cooperative Vocational Training in the Mineral Resource Sector
- German-Mongolian Institute for Resources and Technology
- Building a Conducive Legal Environment

GIZ-IMRI program uses Integrated Community Development Partnership approach that involves mining companies, SMEs, communities, and local administration and designs specific portfolios for each stakeholder. Figure 6 shows the four pillar of SME support that IMRI program provides.

**Figure 6: SME support from GIZ-IMRI program**



Mr.Hanselmann continued his presentation with SME risk management and emphasized that Mongolian SMEs lacked capacity to systematically plan. He further accentuated the importance of fostering awareness of possible risks for SMEs. According to him, good risk management does not have to be expensive or time consuming; it may be as uncomplicated as **answering these three questions**:

1. What can go wrong?
2. What will the company do? Both to prevent the harm from occurring and in response to the harm or loss?
3. If something happens, how will we pay for it?

After answering the above questions, the **process of risk management** could be as follows:

1. Improving decision-making, planning and prioritization;
2. Helping to allocate capital and resources more efficiently;
3. Allowing to anticipate what may go wrong, preventing a disaster or serious financial loss;
4. Significantly improving the probability that a company will deliver its business plan on time and to budget.

Mr.Hanselmann shared some **special risks for SME mining companies** based on his experience:

1. Environmental risks, including natural disasters;
2. Employee risk management, such as maintaining sufficient staff numbers and, employee safety and up-to-date skills
3. Political and economic instability (domestic as well as foreign markets for exports)
4. Health and safety risks

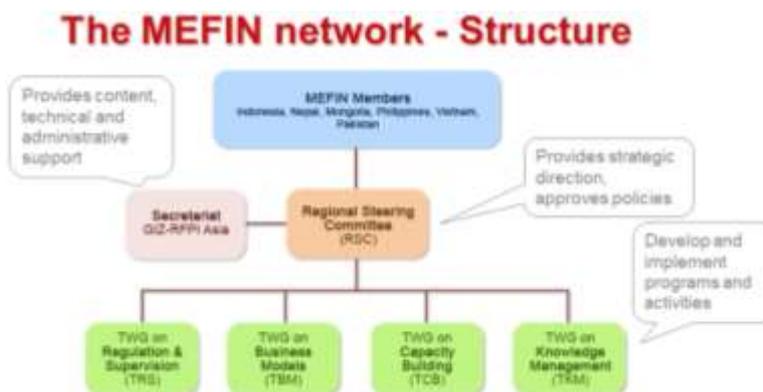
He further affirmed that GIZ-IMRI program could support GIZ-RFPI program by cooperating on building SME risk awareness. For example, **special trainings for SME`s** (suppliers and miners) on risk management could have the following content:

- Methodically identifying the risks surrounding business activities;
- Assessing the likelihood of event occurrences;
- Understanding how to respond to these events;
- Putting systems in place to deal with consequences;
- Monitoring the effectiveness of risk management approaches and controls.

## 5.6 Dr. Antonis Malagardis, Program Director, GIZ RFPI Asia: The importance of inclusive insurance especially for SMEs in Mongolian economy

Mr.Malagardis provided the audience with the information about MEFIN network, Public Private Dialogue (PPD), RFPI II Business Advisory Group (BAG), achievements of BAG in Mongolia, inclusive insurance market development strategies, inclusive Insurance development in other by region such as Asia, Africa, and Latin America, SMEs environment and the role of insurance.

**Figure 7: MEFIN structure**



MEFIN network was formed in May 16, 2013 in Cebu, Philippines and it is a collegial body of insurance policy makers and regulators. Members of MEFIN has signed Cebu Declaration and made their commitment to promote and develop inclusive insurance markets. MEFIN has six member countries including Indonesia, Mongolia, Nepal, Philippines, Vietnam, and

Pakistan. MEFIN can accept new members and member observers such as development partners and other micro-insurance stakeholders.

**The MEFIN network has the following objectives:**

1. Platform of peer-to-peer learning among policy makers and insurance regulators
2. Development and Implementation of programs and activities to advance inclusive insurance
3. Become sustainable and independent from project funding

Dr. Malagardis continued his presentation with information about **Public-Private Dialogue (PPD)** activity of the MEFIN Network that RFPI organizes twice a year. PPD brings the government and the industry together in developing and promoting inclusive insurance and this is beneficial to both parties as evidenced in the development of Microinsurance in the Philippines. The PPD in Manila in July 2016 (with the active participation of FRC and two mongolian insurance companies) focused on the topics of Prudential Regulation, Licensing, Distribution, and Supervision.

MEFIN, as a network of insurance regulators and supervisors in Asia:

- ✓ Explores high priorities in financial inclusion;
- ✓ Highlights the role of education and consumer protection in supporting financial inclusion;
- ✓ Contributes to the development of evidence-based regulations through thematic assessments;
- ✓ Creates an open space for more countries in Asia to join and strengthen the network;
- ✓ Invites funding agencies to support the policy and regulatory country initiatives to be taken.

Dr. Malagardis introduced GIZ RFPI Asia **Business Advisory Group (BAG)** and it supports Public-Private Dialogues and assists selected insurance companies tailor and develop insurance schemes and services in accordance with Insurance Core Principles (ICPs) endorsed by the International Association of Insurance Supervisors (IAIS). BAG guides regulators in incorporating guidelines to formalize inclusive insurance business models and supports insurance companies to implement the business models promoting client value & consumer protection.

**Achievements of the BAG in Mongolia (June 2016):**

- Development of one draft product for Mongol Daatgal
- Signing of MoU between Mongol Daatgal and GIZ
- Signing of MoU between Ulaanbaatar City Insurance and GIZ
- Signing of MoU between Monre Insurance and GIZ (July 2016)

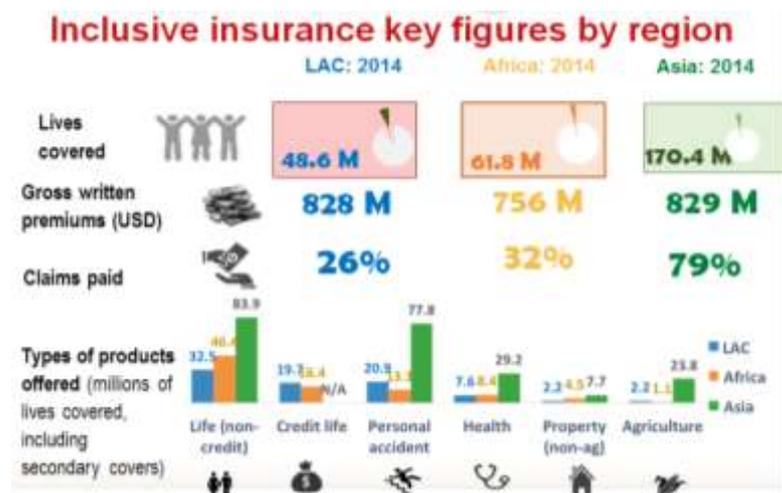
**Insurance market development strategies as followed:**

1. Public private collaboration
2. Genuine industry dialogues
3. Public seminars and consultations
4. Multi-stakeholders approach in micro-insurance advocacy.

**Figure 8: Inclusive insurance key figures by region**

Dr.Malagardis shared the audience with some inclusive insurance statistics of Latin America, Africa, and Asia as of 2014.

Asia as the most populated continent has the greatest number of lives covered and claims paid. However, Asia’s gross written premiums are as



much as that of Latin America's. In terms of product types offered, Asia has insured the greatest number of lives from each product except for credit life insurance.

Based on his experience, Dr. Malagardis pointed out the following critical success factors of inclusive insurance:

- Government ownership of reform measures
- Jointly introduced schemes for consensus building (e.g. TWGs)
- Evidence-based insurance solutions as a feedback to adapt/generate regulations accordingly
- Education and awareness campaigns for all stakeholders
- Donors coordination through active role of governments

GIZ's global partners for risk assessment, capacity building and knowledge sharing to support inclusive insurance are:



### 5.7 Panel discussion: The role of microfinance in inclusive insurance development

This panel discussion provided information about MFIs in Mongolia and SME development fund operations. The panel also shared experiences and potentiality of microfinance involvement in



inclusive insurance development. The main role of MFIs in inclusive insurance is that they can be an effective distribution channel since MFIs offers

financial services to SMEs and low income people and have useful information about their customers.

At the beginning of the panel discussion, two panelists gave short presentations.

**Mr. Altansukh**, president of NBFIs association, provided some statistics on NBFIs operation in Mongolia, and talked about current and possible cooperation between NBFIs' and Insurance companies.

As of the first quarter of 2016, totally 499 NBFIs have been operating in Mongolia with total asset of MNT 634.1 billion. Their target customers are 59,843 SMEs running in Mongolia and 50,932 out of them are small business with 1-9 employees. Currently, NBFIs do not usually require borrowers to be insured. However, Mr. Altansukh emphasized the importance of insurance for protecting both borrowers and NBFIs from risks. He further talked about possible cooperation between NBFIs and insurance companies in buying insurances for themselves and delivering the insurance products to their customers. This is shown in the table below.

**Table 4: Insurance products**

For NBFIs	For SMEs
NBFIs' operation insurance	No collateral required loans but require insurance
Loan portfolio insurance	Properties pledged against loans could be insured
Management decision making insurance	SME development fund loans with lower interest rate could require insurance.
Employee liability insurance	Long term loans with life insurance
Cash handling insurance	

Mr. Altansukh highlighted the need of credit scoring based on data from credit bureau. However, there is no credit bureau when it comes to NBFIs in Mongolia. On behalf of NBFIs associations, he expressed its willingness to cooperate with insurance companies.

**Ms.Tsaschikher**, senior staff from SME development fund, introduced the operation of the fund and shared her opinions on possible cooperation with both NBFIs and insurance companies. SME development fund was established in 1993 and started financing SMEs in 2009. SME development fund grant loans with low interest rate (annually 7%) to SMEs through 10 commercial banks and disbursed loans amount of MNT 742.6 billion. Between 2012 and 2016, totally 1680 SMEs obtained finance amounted to MNT 419.7 billion from SME development fund and 83.5% of the fund financed working capital and equipment purchase. At the end of her presentation, she shared previous experiences cooperating with two NBFIs. However, the cooperation did not continue long due to complaints from customers and inadequate cooperation from NBFIs. Mr.Altansukh commented on this experience that the chosen NBFIs could be inadequate ones and cannot fully represent NBFIs in Mongolia.

Dr.Antonis Malagardis shared to the audience some international experiences and possible role of MFIs in developing inclusive insurance. Since MFIs and inclusive insurance providers have same customer base which are SMEs and low income people, MFIs are effective distribution channel to deliver inclusive insurance. He added that a favorable regulatory environment that fosters MFIs' involvement in inclusive insurance is also crucial.

Main message of the panel discussion was that MFIs can be an effective distribution channel to deliver inclusive insurance and NBFIs association expressed its willingness to cooperate with insurance companies. SME development fund also expressed to take this issue into its consideration.

## **5.8 Panel discussion: Challenges and possibilities of insurance market development for SMEs**



**Mr.Erdenebaatar** encouraged the audience to discuss their opinions on developing insurance sector in Mongolia and briefly mentioned his ideas presented in the morning session.

**Mr.Bat-ulzii**, Head of Corporate Department & Underwriting Supervisor, Mongol Daatgal LLC presented the main challenges and possibilities in advancing inclusive insurance market and possible contributions of stakeholders in this industry. He pointed out the following three main factors to develop inclusive insurance:

- ✓ Regulation and supervision
- ✓ Distribution channel
- ✓ Product development

**Figure 9: Challenges & possibilities for product development and innovations of inclusive insurance**



Figure 9 shows that main challenges and possibilities in insurance industry identified by Mr.Bat-Ulzii. He emphasized the importance of distribution channel in inclusive

insurance and suggested to introduce dedicated agents, those who exclusively sell inclusive insurance products. He pointed out some challenges from supply side such as making insurance products simple and affordable, some from demand side such as improving financial education, and some from regulatory side such as requirements and licensing. He further accentuated to bring know-how in insurance sector. Mr.Bat-Ulzii further suggested for the stakeholders how they could contribute to implement the possibilities and overcome the challenges he mentioned. Table 5 and Table 6 illustrate his recommendations.

**Table 5: Who can do What for the Possibilities**

	FRC	Insurers	Intermediaries	GIZ RFPI
<b>Products by Intermediaries</b>	Allow them to design product & acquire a license	Accept & Admit them and Underwrite	Lead & be pioneer the inclusive insurance	Support parties & help to get Know-How. Guide them. (To be a friend of each party)
<b>Dedicated Agents</b>	Adapt the legal environment & simplify licensing	Train & Develop partnership with them	-	
<b>Supporters &amp; Partners</b>	Be a good partner and to provide a chances	Be a good partner and to get help for importing and adapting know-how	Be a good partner and to get help for importing and adapting know-how	
<b>Who else can be an Intermediary?</b>	Encourage who else could be an optimal one. Flexibility of regulations.	Seek for opportunities among them	-	

**Table 6: Who can do What for the Challenges**

	<b>FRC</b>	<b>Insurers</b>	<b>Intermediaries</b>	<b>GIZ RFPI</b>
<b>Simplicity – “One language” for one sector</b>	Standardize terms & terminology. Make regulations flexible & friendly.	Propose & Agree with each other through the Association	Propose & Agree with each other through the Association	
<b>Affordable price Vs. Numbers &amp; Reachability &amp; Cost</b>	-	Research & Adaptation. Make designs based on Affordable Price. Innovate for business models	Research & Adaptation. Make designs based on Affordable Price. Innovate for business models	To Support parties & help to get Know-How. To guide them. (To be a friend of each party)
<b>Know-How &amp; Education Import &amp; adaptation</b>	Dialogue & cooperation with Regulatory organizations from MEFIN	Dialogue & cooperation with entities from MEFIN. Adapt imported know-how	Dialogue & cooperation with entities from MEFIN. Adapt imported know-how	
<b>Requirements &amp; Licensing</b>	Make flexibility & proportionate	Research & Propose to FRC	Research & Propose to FRC	

**Mr. Batjargal**, CEO of MIA provided a presentation on inclusive insurance in Mongolia and challenges. He highlighted the significance of efficient distribution channel and said that one characteristic of inclusive insurance is that it has low premium and it requires insurance providers to operate efficiently. This makes effective distribution channel a key strategy to deliver inclusive insurance products.

He shared some international experiences on distribution channel such as NGO’s, retail shops, unions, post offices, savings and credit cooperatives, and NBFIs. MFIs provide opportunities for insurance companies to reduce their costs, adverse selection, and fraud since MFIs have better access to SMEs and low-income people.

Mr. Batjargal shared the following three regulation characteristics on inclusive insurance based on international experiences:

1. Inclusive insurance regulation limits premium amount or sum insured;
2. Inclusive insurance should be offered to defined target group;
3. Regulate base on the characteristics of distribution channel or insurance providers.

At the end of his presentation he pointed out the following two challenges in insurance sector:

1. Poor financial education
2. Weak regulatory environment to develop insurance market.

Dr. Antonis Malagardis asked every panelist their 3 commitments to develop inclusive insurance in Mongolia. Panelists affirmed the following commitments:

- ✓ Monre insurance LLC:
  1. Will lead and encourage insurance companies to develop inclusive insurance market in Mongolia;
  2. Will foster cooperation among stakeholders specially associations;
  3. Will operate ethically and keep this culture.
- ✓ Mongol daatgal LLC:
  1. Will introduce and adapt know-hows and experiences in the sector;
  2. Will improve traditional approaches and prosper together with other financial institutions by cooperating with them;
  3. Will develop inclusive insurance products based on researches and evidences
- ✓ MIA:
  1. Will inform and educate public about inclusive insurance;
  2. Will cooperate with regulators to promote inclusive insurance;
  3. Will introduce standards on inclusive insurance products and unify insurance companies on commitment to inclusive insurance development.

## **6 Closing remarks and feedbacks**

This seminar was an activity that brought together both private and public sectors and initiated in-depth discussion about insurance sector especially inclusive insurance for SMEs. Representatives from policy makers and regulators attended and presented current insurance market development and future policies needed to be formulated in the sector. GIZ team and other SME development organizations such as SME development fund discussed about SME risk management mechanisms and risks they face. The role of MFIs in inclusive insurance development was recognized and shared to the participants and NBFIs associations, MIA, and SME development fund took possibilities of cooperation with insurance companies into consideration. Private insurance companies such as Monre insurance LLC and Mongol daatgal LLC pointed out challenges and gave further suggestions. This event raised awareness among insurance companies.

According to the voluntary survey that was carried out during the seminar, all survey participants gave positive feedback providing their satisfaction with the seminar and answered that they will attend similar events in the future. Participants were asked about information they gained during seminar and the answers were:

- ✓ The role of MFIs in insurance
  - ✓ Current policies and future trend regarding insurance sector
  - ✓ Importance of inclusive insurance
  - ✓ Providing inclusive insurance is a way to develop and expand insurance sector
  - ✓ Developing insurance products for small businesses promoting cooperation among stakeholders
  - ✓ Developing inclusive insurance forming cooperation among associations
- Inclusive insurance

**Annex 1: Participants (According to the registration list)**

No.	Name	Organization	No.	Name	Organization
1	Munkhdemberel	Ministry of Finance	46	Khaliun	Mongol daatgal LLC
2	Bum-Erdene	Financial regulatory committee	47	Uuriintuya	Mongol daatgal LLC
3	Batbold		48	Enkhzorig	
4	Tserendejid		49	Badralbayar	
5	Battsetseg		50	Naranzaya	
6	Sugarmaa		51	Gan-Erdene	
7	Naranjargal		52	Amarbayasgalan	
8	Ulziibat		53	Khaliunaa	
9	Mr.Hanselmann	GIZ-IMRI	54	Munkhbazar	UB city insurance LLC
10	Badamsuren	Loan guarantee fund	55	Sodontsetseg	
11	Chimedtsogzol		56	Nyambayar	
12	Tsashchikher	SME development fund	57	Oyuntugs	Soyombo insurance LLC
13	Ganchimeg		58	Garig	
14	Batjargal	Mongolian Insurer's assosiacion	59	Bolortuya	Ard insurance LLC
15	Altansukh	NBFIs association	60	Batsuuri	National life insurance LLC
16	Ariuntugs		61	Mongolkhuu	
17	Oyunbileg		62	Jargalan	
18	Tungalag	Mandatory insurance association	63	Zolzaya	Bodi insurance LLC
19	Khishigzaya	REACH Project	64	Gantumur	Practical insurance LLC
20	Guldauryen.M		65	Luvсандамбаа	
21	Ulziibold	UNDP Project	66	Baatarsuren	Ger insurance LLC
22	Chimeddagva	JICA	67	Urantsetseg	
23	Tuvshintugs		68	Khorloo	Munkh insurance LLC
24	Bayarmaa	IFAD	69	Buyankhishig	Khaan insurance LLC
25	Enkhtsetseg	Chamber of commerce	70	Orgil	
26	Ariuntungalag		71	Munkhdavaa	
27	Gankhuleg		72	Lhagva-Ochir	
28	Gereltsansar	Erdenes tavan tolgoi LLC	73	Otgontuya	Nomin insurance LLC
29	Erdenebaatar	Monre insurance LLC	74	Altantsetseg	
30	Erdenechimeg		75	Khaliunaa	
31	Oldokhbayar		76	Galsandorj	National investment bank
32	Bilguun		77	Dulguun	Khaan bank
33	Builguun		78	Lhagvatseren	State bank
34	Pagmadulam		79	Tuguldur	Khas bank
35	Burneebayar		80	Urandari	Shuren capital NBFI
36	Enkhbaatar		81	Altantsetseg	Banking and finance academy
37	Enkhbold		82	Bolormaa	
38	Gerelt-OD		83	Lhavatseren	Cover hill LLC
39	Bat-ulzii	Mongol daatgal LLC	84	Battsetseg	Good neighbors NGO
40	Jargal		85	Burenzevseg	Sureg kharaatsai NGO
41	Bulgan		86	Zorigoo	NBFI
42	Bayarmaa		87	Dariimaa	Law firm

No.	Name	Organization	No.	Name	Organization
43	Saruul		88	Idree	Mig insurance LLC
44	Tumendemberel		89	Enkhjargal	Consulting feasibility LLC
45	Munkhsatsaral				

## Annex 2: Agenda

Time	Activity/Topic	Responsible/Resource Person
9:00 -9:15 am	Registration	GIZ
9:15 – 09:45	Welcome messages and introductions	<b>Dr. Antonis Malagardis</b> Program Director, GIZ-Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia)  <b>Mr. Bum-Erdene Kh</b> Deputy chairman, Financial Regulatory Commission  <b>Mr. Batjargal Jamsran</b> CEO, Mongolian Insurers Association
09:45 - 10:00	Models of cooperation to promote inclusive insurance	<b>Mr. Erdenebaatar Purejav</b> Chief Executive Officer, Monre Insurance LLC
10:00 – 10:20	A snapshot of Mongolian insurance development in the frame of financial inclusion	<b>Mr. Munkhdemberel</b> Ministry of Finance
10:20 – 11:00	<i>Photo Ops and Coffee break</i>	
11:00 – 11:20	Insurance market development in Mongolia	<b>Mr. Ulziibat Molomjamts</b> Financial Regulatory Commission
11:20 – 11:40	The importance of inclusive insurance especially for SMEs in Mongolian economy	<b>Dr. Antonis Malagardis</b> Program Director, GIZ RFPI Asia
11:40 – 12:00	Mining communities and possible cross cutting aspects with risk management mechanisms	<b>Mr. Stefan Hanselmann</b> Director, GIZ Integrated Mineral Resources Initiative
12:00 – 13:30 pm	<i>Lunch break</i>	
<b>Session 1. The role of microfinance in inclusive insurance development</b>		
13:30 – 14:50	<b>Moderator:</b> Ms. Ganchimeg Batchuluun, Technical Project Staff, GIZ RFPI Asia	
	<b>Panel speakers:</b> <b>Mr. Tsaschikher</b> , Senior manager of Finance and Administration, SME Development Fund of Mongolia <i>Focus: Operations of the SME Development Fund of Mongolia and challenges to cooperate</i>	

Time	Activity/Topic	Responsible/Resource Person
	with NBFIs	
	<b>Mr. Altansukh A</b> , President, Non-bank Financial Institutions Association <i>Focus: Non-Banking financial institutions in Mongolia and possibilities to cooperate with insurance companies</i>	
	<b>Dr. Antonis Malagardis</b> , Program Director, GIZ RFPI Asia <i>Focus: The role of microfinance in inclusive insurance</i>	
14:50 – 15:10	Coffee break	
<b>Session 2. Challenges and possibilities of insurance market development for SMEs</b>		
	<b>Moderator:</b> Dr. Antonis Malagardis, Program Director, GIZ RFPI Asia	
	<b>Panel speakers:</b>	
	<b>Mr. Erdenebaatar Purejav</b> , CEO, Monre Insurance LLC <i>Focus: Expanding distribution channels for SMEs insurance</i>	
15:10 – 16:30	<b>Mr. Bat-Ulzii Taivan</b> , Head of Corporate Department & Underwriting Supervisor, Mongol Daatgal LLC <i>Focus: Product Development and Innovations for inclusive insurance</i>	
	<b>Mr. Batjargal Jamsran</b> , CEO, Mongolian Insurers Association <i>Focus: Dialogue on Regulations and Knowledge Exchange on Inclusive Insurance for SMEs</i>	
16:30 – 17:30	Open discussion and agreements on the next steps	<b>Dr. Antonis Malagardis</b> Program Director, GIZ RFPI Asia