Development Impact Thesis – IFC's operations for insurance and pension funds promote access to affordable, quality insurance and pension products, and enhanced roles for insurers and pension funds as contractual savings institutions. IFC provides financing and advisory services to firms in the insurance and pension funds sector which:

→ Increase access to insurance and pension products for households and firms, including through consumer financial education → Improve the quality and affordability of insurance and pension products → Improve the capacity of insurers and pension funds to act as contractual savings institutions	⇨ Project Outcomes	**Development Gaps Addressed** • Limited tools to support risk taking and economic activity • Limited risk mitigation products for households (e.g. health insurance, home insurance) • Few tools to manage natural disasters/catastrophes • Underdeveloped local institutional investor base ("buy side") and shallow capital markets
→ Increase the number of privately managed, solvent insurers and pension funds → Improve the number and reach of products available to underserved segments → Promote regional platforms/cooperation → Increase connectivity by boosting investment capacity to diversify into new asset classes	⇨ Contributions to Market Creation	

Rating Construct – All AIMM sector frameworks include detailed guidance notes that help define project outcomes and contributions to market creation, aggregating to an overall assessment of development impact.

- For project outcomes, stakeholders, economy-wide, and environmental effects are the key components for which industry-specific benchmarks define the context in which an IFC operation seeks to drive changes. This gap analysis is combined with a separate set of impact intensity estimates that specify the expected results using predefined indicators.

- For contributions to market creation, industry-specific market typologies define stages of development for five market attributes (or objectives): competitiveness, resilience, integration, inclusiveness, and sustainability. These market typologies, when combined with estimates of how much an intervention affects the development of a market attribute, provide the foundation for IFC's assessment of an intervention's market-level potential for delivering systemic changes.

PROJECT OUTCOME INDICATORS	
Stakeholders	Effect on customers: accessibility • Number of policy holders; total amount of claims paid; number of new pension fund participants reached • Number/proportion of new policy holders reached by delivery channel/by niche product • Number of insurance products per insurer client • Average number of days from application to approval Effect on customers: affordability • Flexible payment options available, such as mobile phone top-ups • Increased premium transparency • Improved delivery efficiency and reduced cost to insure clients due to fintech/innovations Effects on customers: quality • Average number of days for payout to policy holder • Number/proportion of innovative channels for delivery and marketing • Expanded (financial literacy and/or non-financial) services offered Effects on employees • Number of employees trained/improving skill set • % women in management/senior positions • % women participating in boards • % women employed
Economy-wide	• Increased economic activity • Increased savings

CONTRIBUTION TO MARKET CREATION INDICATORS	
Competitiveness	• Encourages entry of new participants in emerging insurance markets • Reduces number of players in fragmented sector by encouraging consolidation • Increases private sector participation in insurance market • Introduces innovative insurance products/distribution geared to specific needs • Introduces new channels for delivering and marketing products (digital finance) • Affects affordability of/access to insurance services within market broadly
Resilience	• Promotes higher standards • Contributes to further diversification of local institutional investor base
Integration	• Expands geographic presence and reach • Promotes increased market efficiency/strengthens supervisory/capacity and knowledge through global/regional platforms • Promotes adoption of products built into value/supply chains, enhancing customer access • Increases partnerships with/distribution of products through financial institutions • Develops these FIs as asset managers: Facilitates more diversified portfolio approach
Inclusiveness	• Adopts models/products/processes to reach underserved or vulnerable groups • Fosters capacity building/awareness of insurance products for underserved • Introduces/strengthens market-enabling frameworks/standards supporting insurance
Sustainability	• Promotes/strengthens market-enabling frameworks/standards related to sustainability that enable risk reduction, management of ESG risk/opportunities • Promotes adoption of sustainability principles and practices in underwriting and investment; provides innovative products; raises insurers' awareness of sustainability risks and shares information to help them manage risk and develop solutions

IFC's Environmental and Social Performance Standards define IFC clients' responsibilities for managing their environmental and social risks. While for most IFC investments, meeting Performance Standards reflects improved environmental and social performance, effects from implementation of the standards are only claimed in the AIMM framework where a clear counterfactual can be established and where the investment intent is to improve environmental or social outcomes.

Sector Specific Principles or Issues – The following principles will be applied for projects rated under this framework:

Principle or Issue	Treatment Under Framework
Capital market development	Pension funds and insurers (particularly life insurers) play a potentially pivotal role in domestic capital market development, with knock-on implications for financing infrastructure in emerging markets. This is because these contractual savings institutions tend to have liabilities that are long-term and are thus well suited to investing in asset classes with similar long-term maturities such as bonds financing infrastructure projects.
Underserved and vulnerable populations	Even in scenarios where insurance services have expanded to reach a large portion of a country's population, there may be segments of largely underserved or excluded populations (e.g. women, rural populations, refugees, youth, etc.) lacking access to the insurance market and the formal economy overall.
Innovative technologies	The increased competitiveness and new business models spawned by new technology can potentially benefit large numbers of underserved individuals and firms currently excluded from insurance markets. IFC projects employing digital financial services can enable insurers to reach new customers—to deliver as well as promote these products.
Market structure	Some markets may be highly concentrated and state-dominated, particularly for nascent pension fund sectors, with just a few or even one monopolistic player providing costly, inefficient services. This market scenario typically benefits from new entrants offering quality, accessible and affordable services. In other markets, insurers are facing pressure to consolidate, however.
Treatment of negative effects	Potential negative effects from a pension or insurance project may include (i) introducing a product innovation (e.g., fintech-enabled marketing and/or delivery) in a market context that lacks adequate and clear underpinning regulations including for consumer financial protection and financial education, (ii) instances where IFC provides financing in hard currency that may expose the client financial institution to currency risks where end beneficiaries (i.e. households and firms) earn their income/revenues in local currency, thereby reducing project likelihood and market resilience, and (iii) IFC reinforcing the position of the dominant player, thereby diminishing market competition significantly. Under the AIMM system, when these negative effects are large, the assessment seeks to balance these against positive effects.

Project Outcomes – The AIMM system considers the extent of the development gap and uses a gap analysis to classify project contexts according to the size of the deficit/gap being addressed. For each indicator, the size of the gap is measured in relation to development goals associated with the sector. Contexts are classified into very large, large, medium or low gap, for each performance dimension. Development gaps are defined using a combination of qualitative and quantitative benchmarks, which leaves room to consider context-specific attributes that drive investments in the sector.

COUNTRY CONTEXT	Low Gap	Medium Gap	Large Gap	Very Large Gap
Access	– Insurance coverage is high: a large share of the population has easy access to a diverse range of insurance products	– Insurance coverage is medium: a considerable share of the population has insurance coverage – Access might be somewhat limited by product or geographic location; approval processes are somewhat efficient	– Insurance coverage is limited: internal approval processes are slow – Access faces considerable geographical and/or product specific restrictions	– Insurance coverage is very low/non-existent: only a small share of the population has access to insurance products – Insurance approval processes are not efficient, taking several days to complete
Quality	– There are many ways to access insurance products – There is overall knowledge about financial/insurance products across the population – Payout processes are efficient	– There are a few different ways to access insurance products – There is some knowledge about financial/insurance products across the population – Payout processes are somewhat efficient	– There are only a few ways to access insurance products – Knowledge about financial/insurance products across the population is limited – Payout processes are slow/inefficient	– Means of accessing insurance products are very limited/non-existent – There is substantial lack of knowledge regarding products – Payout processes are highly inefficient, slow, not transparent

COUNTRY CONTEXT	Low Gap	Medium Gap	Large Gap	Very Large Gap
Affordability	– Insurance policies are priced fairly and competitively – No barrier to access to insurance due to pricing – Flexible payment/delivery channels broadly available	– Insurance policies are mostly priced fairly and competitively – Flexible payment/delivery channels are offered	– Insurance policies are expensive, limiting access to insurance – There is low diversification of payment/delivery channels	– Insurance costs are prohibitively expensive for most people and products – There is no diversification of payment/delivery channels

"Core outcomes" for insurance and pension fund operations include improvements in access to insurance and pension funds, both in quantity and in quality, as well as increased affordability of these products. While the objectives of access, quality, and affordability are often shared by insurance and pension projects, their products vary, and these differences are reflected in their indicators. The main drivers of the overall project outcome potential are:

- Access, which refers to the availability of insurance and pension products;
- Quality, which can be characterized by factors including insurance claims processing times and financial education; and
- Affordability, which is important in many emerging markets, especially (but not only) where public health insurance is lacking.

Strategic Indicators to be tracked and reported for all insurance and pension fund operations include: (i) number of customers reached (insurance policy holders or fund participants), and (ii) number of claims paid. All projects will be reporting gender disaggregated data for the strategic indicators. One non-core effect is improvement through a project in insurer (fund) employees' capacity and skills for executing investment strategy/risk management capabilities, which is important in developing the roles of these financial institutions as asset managers and contractual savings institutions.

An IFC operation's project-level impact is assessed based on the magnitude of its effects in relative terms: i.e., using a normalization rule that provides an indication of the intensity of impact (e.g., impact per dollar invested). The table below summarizes the impact intensity assessment categories.

PROJECT INTENSITY	Below Average	Average	Above Average	Significantly Above Average
Access • Number of policy holders reached • Number/proportion of new policy holders • Average days from application to approval	– No or very limited effect on reaching new policy holders – No or very limited effect on reaching new insurance customers by increasing tailored products – No or very limited effect on increasing access of existing policy holders to new products – No change in application process through use of technology	– Limited effect on reaching new policy holders – Limited effect on reaching new insurance customers by increasing tailored products – Limited effect on increasing access of existing policy holders to new products – Limited reduction in complexity of application process through use of technology	– Some effect on reaching new policy holders – Some effect on reaching new insurance customers by increasing tailored products – Some effect on increasing access of existing policy holders to new products – Some reduction in complexity of application process through use of technology	– Considerable effect on reaching new policy holders – Reaches new insurance customers by increasing tailored products – Considerable effect on increasing access of existing policy holders – Considerable reduction in complexity of application process through use of technology
Quality • Time to claims payout • Improved delivery channels • Improved awareness/ understanding of insurance products • Expanded non-financial services offered	– No reduced time required for policy payout – No or very limited effect on channels for delivery and marketing of insurance – No change in customer experience – No change in knowledge/ awareness of insurance products – No change in non-financial services offered to client customers	– Small reduction in time required for policy payout – Limited effect on channels for delivery and marketing of insurance – Limited improvement in knowledge/awareness of insurance products – Limited change in non-financial services offered to client customers	– Somewhat reduced time required for policy payout – Some effect on channels for delivery and marketing of insurance – Some improved knowledge/ awareness of insurance products – Some increase in non-financial services offered to client customers	– Considerably reduced time required for policy payout – Considerable effect on channels for delivery and marketing of insurance – Considerable change in customer experience – Significantly improved knowledge/awareness of insurance products – Considerable increases in non-financial services offered to client customers

PROJECT INTENSITY	Below Average	Average	Above Average	Significantly Above Average
Affordability • Increased flexibility in paying premiums/enhanced premium transparency • Improved delivery efficiency through innovation	– No improvement in flexibility of payment options or transparency of premiums compared to market average – No improvement in delivery efficiency (and related cost to insurance clients) via fintech/other innovations	– Limited improvement in flexible payment options and/or limited effect on premium transparency – Limited improvement in delivery efficiency (and related cost to insurance clients) via fintech/other innovations	– Somewhat more flexible payment options and/or improvement in transparency of premiums in comparison to market average – Somewhat improves delivery efficiency (and related cost to insurance clients) via fintech/other innovations	– Significantly more flexible payment options and improvement in transparency of premiums compared to market average – Significantly improves delivery efficiency (and related cost to insurance clients) via fintech/other innovations

The AIMM methodology considers the uncertainty around the realization of the potential development impact being claimed, making a distinction between the potential outcomes that a project could deliver and what could be realistically achievable in the project's development context. The table below presents the key types of risks factors for insurance and pension fund operations.

PROJECT LIKELIHOOD	Operational Factors	Sector Factors
Assessment Considerations	• Experience and track record of the NBFI in the target market (e.g., life vs non-life) • Project's projected growth relative to the recent history • Insurer's current stage of development and its plans • Expansion into markets (e.g. new customer segment), delivery using new channels (e.g. digital delivery), or other innovations in product/service design. • Risks from new line of business (e.g. general financing institution building a pension fund business) • Advisory service that mitigates any of these operational risks • IFC's past relationship with FSP and IFC's experience on project specifics	• Target sector's market risks (e.g., lack of product awareness and understanding/cultural reluctance to take up insurance products; impact of changing demographics; impact of technological change on the sector) • Specific regulatory risks (e.g., lack of actuarial standards and data; compliance-driven pressures; regulatory restrictions impeding institutional investors from diversifying into newer asset classes) • Supervision perimeter and capacity (e.g., underwriting standards, consumer financial protection requirements) • Supporting government policies and programs (e.g., promotion of private health insurance and private providers)

Contribution to Market Creation – The "market" is defined as the life and/or nonlife insurance subsector[1] (pension fund market) in emerging markets, with a primary focus on insurance firms (pension funds) as providers of financial services and a secondary focus on these financial institutions (FIs) as asset managers. Insurance sectors in many emerging markets still tend to be dominated by nonlife insurance and low- and lower-middle income countries tend to be characterized as having comparably low penetration rates due to lack of consumer awareness and high costs. Young populations and strong economic growth hold promising potential to buoy development of insurance and pension industries across many emerging markets, however. As contractual savings institutions, pension funds and life insurers tend to have liabilities that are long-term and well suited to investing in asset classes with similar long-term maturities such as bonds financing infrastructure projects. Pension funds and life insurers, in an appropriate macroeconomic and financial system context, therefore potentially can play an important role as asset managers in developing the buyside of local (and, possibly, intraregional) capital markets.

IFC's insurance projects vary considerably in size and scope. However, even when IFC's projects are small relative to the size of the insurance market in a country, they may provide targeted interventions to elicit positively reinforcing reactions from other market players, and thus make meaningful contributions to market creation. For IFC's insurance and pension fund operations, market competitiveness, integration, and inclusiveness are among the primary attributes.

[1] Within the insurance sector, the major subsectors include life, health, disability, auto, and home/property. Each can have its own distinct drivers of demand, complicating cross-country benchmarking of the market typology.

MARKET TYPOLOGY	Highly Developed	Moderately Developed	Underdeveloped	Highly Underdeveloped
Competitiveness	– Large number of players relative to comparable countries in region – Well distributed, efficient and less costly relative to comparator countries – Well-developed privately managed pension funds (insurers) with well-diversified range of players and product offerings – High product differentiation and tailoring to needs – Delivery channels and business models reach, meet needs of wide range of clients/market segments including underserved – Cost not considered a significant barrier to access for most target clients – Delivery models and products have evolved to enable players to serve underserved clients	– Somewhat concentrated, less efficient, and costly relative to regional or other comparable countries – Limited private-sector participation as regulation and market situation makes it difficult for companies to compete with state-owned players – Entry and exit heavily regulated and restricted – Market has achieved moderate level of product differentiation with access for broad segments – Insurers [pension funds] growing and improving delivery channels and business models including to reach underserved – Cost still significant barrier to access for portion of target clients but moderately allows small value transactions	– Highly concentrated, inefficient, and costly sector relative to regional and/or other comparable countries – Low private sector participation, heavily concentrated, remains dominated by stated-owned pension funds – Market offers basic services taken up by higher-income individuals and/or large firms – Large segments of population underserved – Distribution channels and marketing reach limited/ geared to higher-income individuals and large firms – Cost considered a barrier to access for majority/ impedes small value transactions	– No market or market includes only one operator, typically a state-owned firm – Entry and exit heavily regulated/ restricted, impeding emergence of insurers (pension funds) and maintaining dominance of few state-run funds or: Extremely fragmented market with very large number of inefficient insurers unable to meet compliance standards – Large parts of society underserved or not reached because of lack of tailored products and/or distribution channels, awareness – Current delivery/marketing channels to reach new market segments inadequate – High cost considered barrier to access for all or nearly all target clients
Integration	– Linkages with other sectors highly developed – Capital markets relatively deep and liquid – Insurers and pension funds diversify across range of asset classes including into listed corporate bonds and equity securities – Full or nearly complete domestic geographic coverage – International integration/cooperation linkages are highly developed (for capacity building, knowledge exchange, on supervisory aspects)	– Linkages with other sectors emerging – Capital markets deepening, larger privately managed pension funds (insurance firms, life insurers) have begun to diversify some assets into listed securities – Country has limited geographic coverage with concentrated geographic presence of several insurers – International integration/cooperation linkages (for capacity building, knowledge exchange, on supervisory aspects) are average for comparable countries	– Underdeveloped linkages with other sectors – In general, insurers and pension funds do not diversify into portfolio securities – There is very limited domestic geographic coverage – Regional/global integration/cooperation linkages (for capacity building, knowledge exchange, on supervisory aspects) are not common/well developed: Insurance sector is weakly linked to this sector in other countries	– Market operates without linkages to financial institutions and other sectors in the economy – No pension funds and/or insurers invest in securities listed on capital markets – There are no international integration/cooperation linkages. Insurance sector operates in domestic isolation
Inclusiveness	– Delivery channels and business models reach and meet the specialized needs of wide range of clients/market segments including the underserved – Reasonably good awareness of/access to insurance products by financially underserved groups – Adequate market-enabling frameworks/standards incentivizing insurance to underserved groups exist.	– Insurers (pension funds) growing/covering larger share of population and improving delivery channels and business models including to reach underserved, and/or remote clients – Moderate capacity building for/awareness of insurance products for/by financially underserved groups – Market-enabling frameworks/standards that incentivize provision of insurance products to underserved groups are inadequate but also not a hindrance	– No insurers have specific products and/or processes that target underserved groups – Lack of awareness of insurance (pension) products by underserved groups – Lack of capacity building for/awareness of insurance products for/by financially underserved groups – Market-enabling frameworks/standards that incentivize provision of insurance products to underserved groups are inadequate/lack thereof is a hindrance	– No pension fund (insurer) targets or serves financially underserved groups or vulnerable populations – Frameworks/practices/standards are non-existent

In general, most individual projects are not expected to make a significant and immediate systemic market change, unless the project is a pioneer in a non-existent or nascent market. Instead, most projects are expected to have incremental effects on the market. In other words, it takes more than one intervention to move a market to the next stage. This means that integrated and concerted efforts are often needed to generate substantial market effects. For example, cumulative World Bank Group efforts over time will have a stronger effect on markets than non-integrated and non-concerted interventions. Where a project is explicitly part of a programmatic approach, the expected movement induced by the program should be the basis for the assessment where timebound movements, market effects, and indicators are available. The most important market creating effects from IFC's insurance and pension operations are:

MARKET MOVEMENT	Marginal	Meaningful	Significant	Highly Significant
Competitiveness	Example – The first privately-managed pension fund enters the market alongside the state-run pension fund, increasing market competitiveness that would move the market from "Highly Underdeveloped" to one that is "Underdeveloped." This constitutes a "Significant" movement and yields a market potential of "Very Strong".			
Integration	Example – A life insurer is building up its asset management capacity and intends to hold up to 10% of its portfolio in long tenor corporate domestic bonds in a market where all other insurers hold government securities only. This could move the market from "Underdeveloped" to "Moderately Developed", a "Significant" market movement that is assessed as "Strong".			
Inclusiveness	Example – A local pension fund provider expands its product beyond permanent employees of international and large corporates to all employees in the formal sector including those in SMEs, potentially moving the market from the "Underdeveloped" to "Moderately Developed". This is a "Meaningful" movement. This was assessed to yield a market potential of "Strong" due to the potential expansion of access and size of the movement within the market stage.			

The market likelihood adjustment follows the principles for the likelihood adjustment for project outcome potential. In general, the likelihood assessment includes sector-specific, as well as broad country risks that may prevent potential catalytic effects from occurring, plus political economy or policy/regulatory risks that may constrain market systemic change. Due to the diversity of market creation attributes and channels, most of the likelihood factors are expected to be sector, or intervention specific.

MARKET LIKELIHOOD	Sector Factors	Political / Regulatory / Policy Factors
Assessment Considerations	• Concentration in the insurance or pension sector/pressure to consolidate fragmented sectors • Responsible finance culture and transparent pricing • Availability of qualified professionals (e.g., actuaries) • Appropriate level of technology available in the market • Strength of the channel for competitive pressures and incentives to adopt innovations • Consumer awareness of insurance and pension products • Capital markets context with an enabling policy, regulatory framework, and institutional capacity • Awareness among marker participants of underserved segments and their specific product needs • Regulatory scope and capacity (e.g., new, appropriate regulatory framework for fintech; regulations that support a well-functioning sector)	• Government commitments and supporting policies/programs (e.g., capital market development, health insurance) • Government capacity to implement policies and program commitments and track record • Regulatory scope and capacity (e.g., for new products and/or new regulatory frameworks that need to be established)