TC NOTES

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AND GUIDANCE FROM
TORONTO CENTRE

SUPERVISING MIGRANT INSURANCE AND PENSIONS

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SUPERVISING MIGRANT INSURANCE AND PENSIONS

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SUPERVISING MIGRANT INSURANCE AND PENSIONS

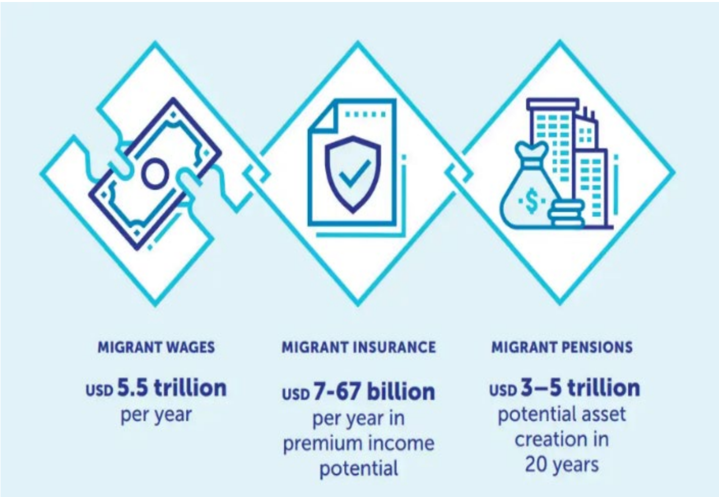
Introduction[1]

This Toronto Centre Note addresses regulatory and supervisory issues related to insurance and pension coverage for migrant workers and their families.[2]

Regulators and supervisors do not often focus attention on these issues. However, they should, because the issues will often be a material factor in many 'home' and 'host' country financial markets in both developing and developed countries.[3]

Globally, there were 281 million migrant workers[4] in 2022, according to the International Organization for Migration (2021). They remit around $1 trillion each year formally and informally and help support about 800 million family members back in their home countries.[5] If the migrants were a country, they would be the fourth largest country in the world.

Figure 1: Potential size of migrant insurance and pensions



Source: UNCDF (2022b)

Migrant worker flows are often highly concentrated in specific bilateral or regional corridors, for example from South Asia to the Middle East. Nearly 90% of the workforce in the United Arab Emirates are migrant workers. Around 25% of national income in Nepal comes from

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[1] This Toronto Centre Note was prepared by William Price, who thanks Demek Çanakçı, Clive Briault, and Carl Hiralal for their suggestions. Please address any questions about this Note to publications@torontocentre.org.

[2] The focus of the Note is on cross-border migrant workers, rather than rural-urban migration within a country. This is because the cross-border and multi-jurisdictional aspect can create risks that supervisors should address. The discussion is most relevant to migration using legal routes given the link to formal financial products and links to government pension and insurance schemes.

[3] Countries from which migrant workers leave are called variously the 'home,' 'sending,' or 'exporting' country. The country to which the migrant workers move is called the 'host,' 'receiving.' or 'importing' market. We prefer the terms 'home' and 'host' in this Note.

[4] Migrant workers are a diverse group, from highly paid workers in the formal sector through to low-paid workers in traditionally informal sectors like hotels and catering. Many of their issues are faced at all income levels and types of employment, but the capacity to deal with them can differ significantly. These issues and differences are highlighted as necessary for the analysis.

[5] See World Bank/KNOMAD (2022) and United Nations Capital Development Fund (2022a).

migrant remittances. So the global scale of migrant insurance and pensions can understate its relevance for some countries.

As highlighted in Figure 1, the potential value in future pension assets through achievable expansion in pension coverage could be between US$3-5 trillion in 20 years. The value of premiums for health, accident, and life insurance is estimated between US$7 billion and US$67 billion a year.[6]

There are also important gender equality issues. About half of total migrants are women, but there are often strong gender differentials in employment between sectors. An example is domestic work that is in practice predominantly female and construction work that is predominantly male.

There are also differences in legal provisions for workers in different sectors in some countries, as well as differentials in wages. These can feed into gender inequality in pension and insurance coverage outcomes, which can compound gender and income inequalities that already exist in financial inclusion before workers migrate.[7]

This Note sets out why supervisory authorities should focus on an issue that may at first glance appear more for government policymakers. The Note discusses the role for supervisory authorities in supporting improvements to the overall system. We look at more specific supervisory issues in relation to different business models and products. Finally, we offer simple, practical steps that can be taken to advance the agenda.

Policy Context and Supervisory Responsibilities

Why should supervisory authorities consider migrants?

One response to the issue of insurance and pensions for migrants is to ask why a regulator or supervisor should be interested.

There is clearly a strong role for government policymakers. The argument for a strong, proactive role for a supervisory authority is driven by the potential to boost outcomes that are typically within their responsibilities. It is important to realize that migrant workers will often have worked in their home economy for many years and will probably retire there, too. So, their years working as migrants in one or more host countries need to be thought about in that broader context.

Here are the main ways a focus on migrants is relevant to regulatory and supervisory objectives:

- The improved coverage of insurance and pensions for migrants feeds directly into objectives to expand coverage and develop the market in both home and host countries. Not all supervisory authorities have these objectives, but they increasingly do as countries try to improve financial inclusion.
- The improved ability to “stitch together” savings workers may have in their home country (whether in Social Security or private pensions) and the host country can avoid translating a varied labour market history into patchy and inadequate pension provision.
- Improved efficiency and lower costs in both the home and host country can reduce small, duplicate, and lost accounts that are difficult to trace when migrants return to their home country.

[6] United Nations Capital Development Fund (2022a). Note that the range for insurance is broader because the value of premiums is more sensitive to the precise country, class, and income of lives covered.
[7] Toronto Centre (2019).

- Migrants can increase the size and scale of domestic savings and insurance markets.
- Using the growth of digital financial flows, including remittances, to boost pensions and helping migrants benefit from lower-cost remittances can free the resources needed to boost insurance or savings.
- Improved consumer protection can be offered to potentially vulnerable market segments. These can be financially excluded low-income workers already facing challenges in the home country, or workers who face barriers in language, location, and understanding when trying to navigate new products in the host country.
- An improved ability to resolve cross-border supervisory issues can result from a proactive approach across important bilateral migration and remittance corridors.
- More secure processes can counter Anti-Money Laundering (AML) and Combatting the Financing of Terrorism (CFT) in ways that do not prevent greater financial inclusion.

There are also benefits to the home countries that are very likely beyond the responsibilities of a supervisory authority, although still important for a country. These include improving the balance of payments for a home country if it channels more financial flows into the domestic market through better links between migrant workers overseas and the home Social Security or private pension system. This can also improve the regional and global financial integration of the country and its financial system.[8]

Barriers to pensions and insurance coverage

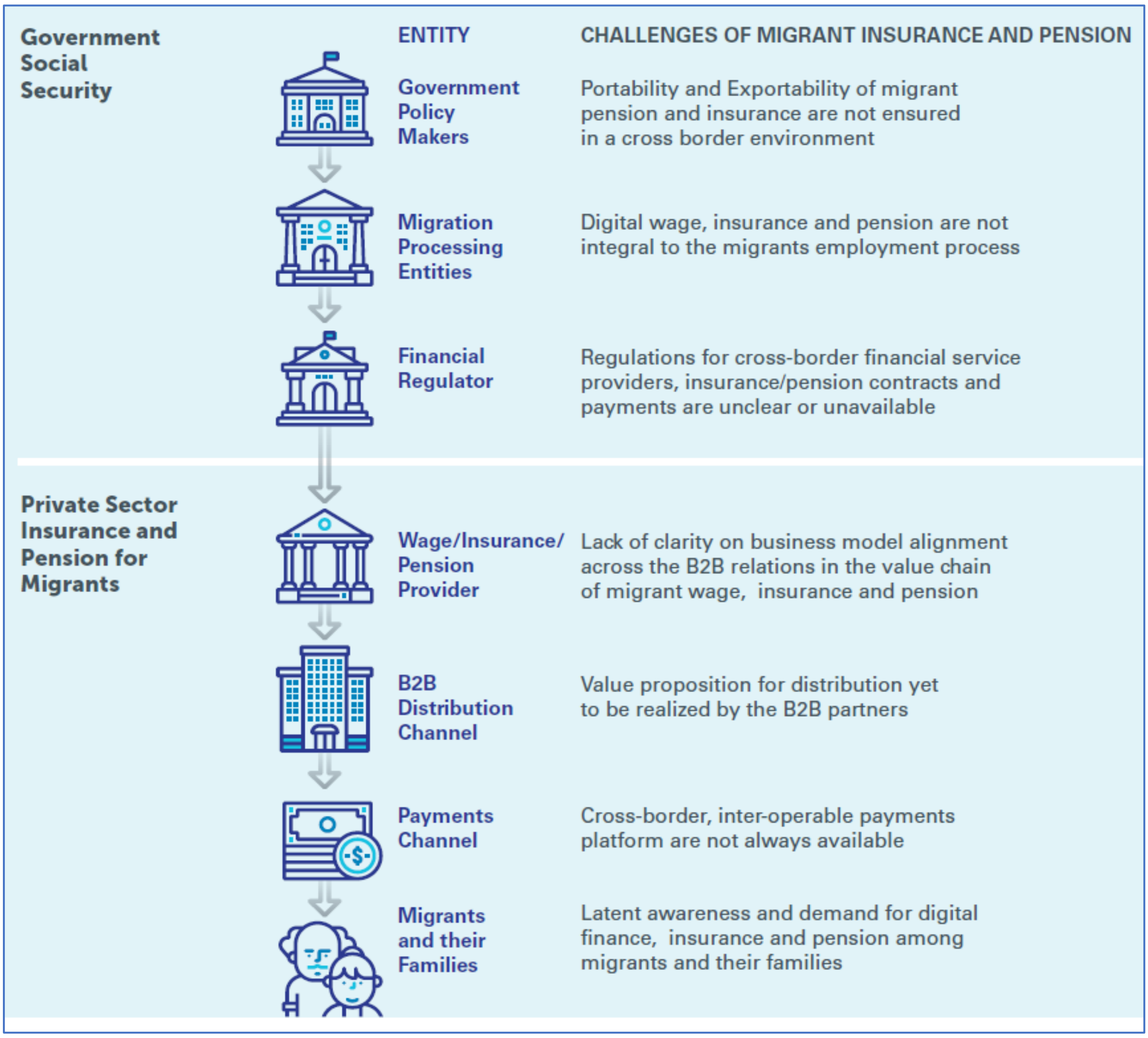
Pensions and insurance coverage for migrant workers include the role of both the public and private sectors. Perhaps more than other parts of the financial sector, there is a strong role for government agencies in the migration experience.

This feeds the need for a supervisor to gain a better view of the overall picture for a migrant worker over the course of their life than other parts of the financial sector. This broader view is also important because many of the risks and barriers – such as missing and lost accounts or failure to pay claims – need the cooperation of supervisory authorities with other agencies and ministries. Put another way, if supervisors do not get involved at a higher level, they will spend significant resources putting a bandage on issues but not fixing them.

The barriers to migrant insurance and pensions are set out in Figure 2. This shows how issues in relation to data and ID, cross-border transferability and portability, and knowledge and understanding are as relevant for pensions and insurance that are part of government (mandated) programs as they are for voluntary products sold by private providers.

[8] In some cases, a host country might see migrant workers as a way of boosting the funding of Social Security if the migrants have to make contributions in the host country but are prevented legally or in reality from benefiting from their contributions. This would represent a counterweight to the positive case set out in this Note.

Figure 2: Barriers to migrant coverage



Source: UNCDF (2022b)

A migrant worker who is included in Social Security in countries meeting International Labour Organization (ILO) conventions must be accurately identified and tracked to make these legal rights a practical reality. The best solution for a particular migrant will depend on their specific home and host country combination. This may include a patchwork of public and private pension and insurance provision.

Strategic Regulatory and Supervisory issues

Pensions

Pension provision in a home or host country can be characterized by pension 'pillars.' The options that exist in different countries, and the relevance for migrant provision, are set out as follows. Examples are given of country experience to aid the descriptions.

- **Zero Pillar:** Non-contributory tax-funded poverty alleviation payments, relevant for when migrants (or others) do not have other pensions on which to depend when they return home. Often not available for migrant workers in the host country.

- **First Pillar:** Contributory Social Security in home and host countries is well-suited to workers in the formal sector of the economy, but often has coverage gaps for informal sector workers. In host countries, there is a mixed picture internationally as to whether migrant workers are eligible for coverage when moving to the host country. For example, they would be eligible in the UK and Canada, but not in the Gulf,[9] with broad mutual recognition within the EU. This pillar is a key focus for ILO efforts to broaden mutual recognition, including for migrants.

  Looking at home country Social Security, Turkey is an example of a country where the Central Bank and Social Security organizations have collaborated to make it easier for citizens working abroad to contribute to their home country Social Security account. Sri Lanka is one of the only known countries that is developing a tailored "Manusavi" pension plan for their citizens who become migrant workers. It would be preferable for such plans to be supervised in the same way as other pension plans to ensure robust monitoring of administration and entitlements. A migrant-specific pension plan is unusual (unlike specific compulsory insurance plans for migrants, which are discussed later).

- **Second Pillar:** Typically seen as employer-sponsored pensions in many countries, or mandatory asset-based pensions that are usually Defined Contribution. They are often important for higher income / professional sector migrant workers but can also cover migrants in particular industries. In some regions, there is significant use of 'End-of-Service' pensions where workers are given a lump sum after leaving, which often leads to leakage from pensions saving. As with Social Security, there is a mixed picture internationally as to whether migrants are eligible or included. In some cases, employer plans can operate globally for a worker so they can remain part of the same plan in different countries. In other cases, they will be members of different national plans under the same employer. An example of interesting developments in the migrant space is found in parts of the United Arab Emirates (UAE), where mandatory Defined Contribution private pensions were launched in 2020 for migrant workers, with employers contributing as an alternative to including migrants within Social Security (see Box 1 below). In Mexico, the pensions supervisor CONSAR has worked with some remittance providers to enable Mexicans living overseas to remit directly into their mandatory private pension account.

- **Third Pillar:** Voluntary individual private pensions that are typically available in the home or host country depending on the regulatory set up. These are often the major focus of new entrants and within the core supervisory responsibilities of home and host country pension supervisors. But they often have limited coverage, thus the importance of links with other parts of the pension system. As detailed later, there are many different business models within this pillar using different approaches to attract customers. India is an example where the pension regulator PFRDA has worked with the Reserve Bank of India to make it possible for Indian workers overseas to direct money to their private pension account.

- **Leveraging gig economy employment platforms** is an emerging area of employer-provided pensions or voluntary individual pensions. These platforms include Uber, Grab, Ola, Go Get, Go Jek, and Deliveroo, and operate all over the world. In some cases, they just cover taxi services or delivery; in others, they are a portal to hire people for a wide range of activities. They are an active target for financial services providers seeking access to consumers through partnerships, and for attempts at vertical integration by the platforms. It would be simple from a legislative point of view

[9] There are six countries in the Gulf Cooperation Council: Bahrain, Kuwait, Qatar, the United Arab Emirates, Oman, and Saudi Arabia.

to require the platforms to act as employers and to enrol workers – whether migrant or not – into relevant pension provision. This has happened with Uber in the UK's pension auto enrolment model following legal judgments, leading to a substantial increase in coverage.

For a practical example of how these different pillars are relevant for regulatory and supervisory action, we can compare three co-workers on a construction site in the Gulf. Workers who come from India, Sri Lanka, and Bangladesh have different options in their home country. India and Sri Lanka have an Employees Provident Fund, which has bilateral mutual recognition with Social Security funds in some countries, but whose citizens do not have access to Social Security in the Gulf countries.[10] Bangladesh announced the creation of a Social Security pillar in August 2023, so sending contributions to a Social Security pillar will be possible in the future.

Looking at private pensions, Indian workers have the option of an individual pension account (known as the NPS) with biometric identification and a well-developed regulatory structure. The Indian pension regulator (PFRDA) has worked with other agencies such as the Reserve Bank of India to enable Indians living and working abroad (known as Non-Resident Indians, or NRIs) to make transfers from overseas into their NPS account. This would enable them to maintain pension savings while working abroad and to have a more complete contribution record when returning to India to retire. There are issues with generating demand, as with all voluntary pension savings, but the infrastructure exists to enable it.

There is no equivalent private pension account for the Sri Lankan or Bangladeshi worker, although Bangladesh has a more well-developed digital finance infrastructure, including short- and medium-term savings accounts. In the future, the Sri Lankan migrant worker may be able to contribute to the Employees Provident Fund in Sri Lanka – a Defined Contribution pension account – but so far, the system has not been developed to the same extent as in India. Thus, Sri Lankan and Bangladeshi workers would be more dependent on options in the host country. Or they may transfer money back home to some form of shorter-term savings or invest in housing, a popular form of investment for migrants with the resources.

This puts the focus on options in the host country. The options vary depending on which Gulf country and sector the migrants are in. In all cases in the Gulf, migrant workers have no access to the Social Security system for host citizens. In parts of the UAE, migrants are now covered by a mandatory Defined Contribution plan in which the employers make the payments – see Box 1 below..

However, the zone in which this works is for financial sector workers. This excludes domestic workers who are typically women, and thus has a negative impact on gender equality. Still, it has been a significant development in the region and the hope is that it will be built on in the future.

[10] A key part of delivering improved coverage for migrant workers is through International Labour Organization (ILO) Conventions on pensions and social insurance recognition, including for migrants. This work is typically led by the ILO and Ministries of Labour and Social Affairs. It is not a focus of this Note given the lack of a role for financial sector regulators and supervisors.

Box 1: Mandatory Pensions for Migrants in Dubai

The Dubai International Financial Centre Employee Workplace Savings (DEWS) Plan for expatriate workers started in February 2020. It is a Defined Contribution plan and has replaced entitlement to a Defined Benefit 'End of Service' plan based on years of service and final basic salary. The new pension plan is likely to cover 25,000 workers. Zurich Workplace Solutions, part of the Zurich Insurance Group, is the administrator. The investment adviser is the global benefits consultant Mercer.

The structure also includes a Master Trustee (so each employer does not need its own plan) to provide the overall governance. The provider is located in the Isle of Man. Members go into a 'default' investment fund into which member funds are invested if they do not want to make an investment choice. There are some limited investment choices, which include a Shari'a or Islamic finance compliant option. Employers rather than employees make the mandatory contributions. The minimum employer contribution is 5.83% of basic salary for members with under five years' service, which rises to 8.33% when they have over five years' service.

A range of established players and new start-ups want to service the market for migrants wishing to save – and the different approaches and supervisory implications are considered later in this Note. The examples above show the importance of considering the situation in both their home country and the different host countries in which migrants work when determining how best to target regulatory and supervisory resources. Promoting greater interaction and links between the different pillars and working with host country supervisory authorities to improve the ability to establish and transfer accounts can help create a more coherent system for migrant workers.

Insurance

The insurance market for migrants covers property, health, employment accident/disability, and life insurance – which makes it very similar to the normal insurance market. However, the key difference seen in many countries – both home and host – is the role of compulsory insurance. Though mandatory coverage is common in pensions, mandatory insurance is less common apart from examples such as Motor Third Party Liability Insurance. There is still a large role for voluntary insurance and traditional private players in the migrant space. However, supervisory authorities must be prepared to operate in market structures that may be unfamiliar.

The first set of mandatory insurance interventions come from home countries. Some countries require their migrant workers to be covered by insurance, with varying rules on coverage and costs. Notable examples include:

- The **Philippines:** Its Overseas Foreign Workers (OFWs) are hired through an agency, with the insurance product itself provided by private insurance companies in the Philippines, and voluntary products available for workers hired directly.[11]
- **India:** The Pravasi Bharatiya Bima Yojana[12] covers certain categories of overseas workers for a range of risks, from death to health insurance, for the migrant and some family members in India.
- **Bangladesh:** The Wage Earners' Welfare Board (WEWB) introduced mandatory insurance coverage in 2019 for migrant workers (Probasi Kormi Bima*)*, with disability and death benefits delivered through a state-owned insurer (JBC). This was recently

[11] For example, see OFW Insurance (pioneer.com.ph) for insurance for workers hired directly.
[12] See Pravasi Bharatiya Bima Yojana (myscheme.gov.in).

extended to cover employment interruption insurance when a job unexpectedly ends in the host country. This extension proved invaluable for many Bangladeshi workers caught up in the outbreak of conflict in Sudan in 2023.

- **Sri Lanka:** Its Bureau for Foreign Employment operates the Overseas Labour Insurance Coverage for outgoing migrant workers registered with them. It delivers the insurance product through the state-owned Sri Lankan Insurance Corporation.

In addition to plans created by the home country of the migrants to cover them when they go abroad, the host country also sometimes requires mandatory insurance coverage. Within the Gulf, for example, **Dubai, Abu Dhabi,** and **Saudi Arabia** require employers to take out compulsory health insurance coverage for migrant workers.

In Dubai, the employer is required to pay for the health insurance for their employees. There is a lower level of coverage for domestic workers and others on lower earnings, which affects the gender equality of health care provision, given that most domestic workers are women. However, the existence of compulsory health coverage paid for by the employer is an important development. This coverage is often checked as part of the visa entry and employment authorisation process, as with migrant workers going to Malaysia.

A key issue for supervisory authorities for all these plans is whether they have a role. Since the plans are often established via Ministries of Labour or Expatriate Welfare, a supervisory authority does not always have the same role as they would with a standard insurance product. However, they clearly provide important insurance coverage for workers in either the home or the host country.

Supervisors should ideally have the same oversight of the mandatory plans as they do of the voluntary private insurance plans that cover life, health, and accidents. As highlighted later in this Note, issues with product features and operation require careful attention to deliver migrants good value for their money. Supervisory authorities could push to have such initiatives included as part of national Financial Inclusion plans so they have visibility and scrutiny.

Cross-Cutting Issues: Data and ID and Remittances

The examples so far have highlighted how insurance and pensions for migrants involve a mix of standard and different approaches. Supervisory authorities should also focus on two specific features important for the migrant experience. First, the migration process itself provides a huge amount of data, documentation, and ID for a worker that could be used to solve some critical issues for financial inclusion for migrants. Second, there should be a focus on the role of transferring money across borders to make contributions or to receive a claim payout or a pension income.

Leveraging the migration process for financial inclusion

Migrant workers can be difficult to serve due to problems with ID verification, financial literacy, and language. Moving countries makes it more difficult to keep track of customers. However, the formal immigration processes to obtain exit and entry visas and employment authorizations are typically rich in ID and data. These can be used to significantly improve financial inclusion for migrants in the home and host country and reduce consumer damage and supervisory resources required to tackle problems.

Supervisors could build on international efforts to improve the creation and use of digital identity to enable financial services.[13] This would also improve gender equality in access to financial services given that women make up close to half of all migrants. Since they need to

[13] See for example Financial Action Taskforce (2020).

go through the exit and entry process as individuals on their own passports, they create their own financial identity rather than relying on the bank accounts of a male relative.

One option is to use the migrant process to link a Social Security account and ID in the home country with its equivalent in the host country if there is bilateral passporting of benefits. If not, the home country could require the migrant worker to have a bank account to complete the migration, and the host country could have local bank account providers create a linked bank account there. The dual verification would help reduce fears in relation to AML and CFT and enable the migrant to receive wages digitally and access lower-cost financial services with the initial gateway account.

The same approach of creating and verifying bank accounts as part of the process of migration could be used for insurance. For mandatory plans such as those identified above, the insurance policy could be linked to the local bank account and an insurance entity in the host country. This could be through special arrangements between the home and host country insurance supervisors. This would allow the home country insurance provider to serve the migrant as a customer in the host country but only in relation to the specific product.

Many providers in the migrant pension or insurance market note that the costs and complexities of dual licensing in both home and host country makes serving the migrant market difficult. However, it is not wise to let unlicensed insurance providers serve migrants in the host country. A specific exception for migrant-focused insurance and pension products with direct links to the home country could reduce the costs and complexity without creating the risk of reduced licensing requirements for providers in general.[14]

A host country with many migrant workers may have an interest in ensuring that pension and insurance providers have good consumer data and ID. For example, under the auto enrolment pension reforms in the UK, migrant workers are generally included in the now quasi-mandatory occupational pension system. However, the lack of a unique account that follows each worker (as in India's NPS) means the potential for multiple accounts with multiple providers. The largest provider, NEST, only allows payments of pensions into a UK bank account. This is a sensible requirement in many ways, but it could be an impossible barrier to a migrant worker receiving their pension once they return home.

Even if the pot is too small to sustain a long-term pension income payment, it can still provide a meaningful contribution to the migrant worker's standard of living, or protect against economic shocks in their home country. A proactive supervisory authority that focuses on data, ID and financial inclusion issues could help make the system run more efficiently. This would help many migrants and their financial institutions avoid large costs, and ultimately the loss of migrant savings or insurance payouts.

Using the entry process would also help in situations where employers (often illegally) hold migrant passports. This leaves migrants unable to provide ID verification to take out financial products like pensions, savings, or insurance, or to make remittance payments through formal digital channels. Not having access to these options increases the costs and risks for the migrant and mirrors the costs and burdens of financial exclusion domestically.
Linking their home and host financial history would also enable migrants to more readily secure credit ratings.

[14] Some countries have used embassies and consulates to communicate with their migrant workers in host countries. This avoids the need for formal licensing in the host country that would be required to communicate and enable action on financial products.

Proactive action on remittance provision

Another feature of the migrant experience is making payments between countries. The majority of these are to support family members in the home country for a range of current and emergency needs, such food, school, and medical expenses. The payments also help the migrant and their family save and build assets – and often in the early stages of migration, pay off loans taken out to pay for the migration process. These can involve a lot of fees, whether legally levied or not.

The costs of remittances can still be high, particularly when digital routes are not used. A UN Sustainable Development Goal target is to reduce the cost of remittances to 3% by 2023, and to eliminate corridors with remittance costs higher than 5%. The current global average is 6.25%.[15]

Banks remain the most expensive type of service provider, with an average cost of 12.1%. Average costs in Sub-Saharan Africa are the highest across all routes at 8.35%, despite the large role for mobile money accounts. South Asia is the lowest-cost receiving region at 4.6%. These high costs eat away at the value of remittances and the consumption, saving, and insurance protection they can support. Moreover, improving cross-border payments can have many economic advantages, as described by the Financial Stability Board in its report for the G20 on Cross-Border Payments.[16]

Some supervisory authorities have taken a proactive lead in trying to simplify remittances relating to pensions and insurance. We have already highlighted the example of India. Another example is the role of the pensions supervisor in Mexico, CONSAR.

Extending a strategy to boost voluntary pension coverage, CONSAR worked with leading remittance providers so customers could remit money directly into their own personal pension account as part of the mandatory 'second pillar' of pensions in Mexico. Consumers could also send money to the pension accounts of other people. This is a useful approach if the aim is to stop a migrant's extra wages serving only to boost short-term consumption without a long-term payoff.

As with all voluntary programs, there are issues with the level of demand and take-up. However, the CONSAR efforts show it is possible to improve the links between migrant remittances from the host country and the home country pension system. This route also works for migrants who may not have full documentation in the host country but still want to send money back to their home country.

Another advantage of supervisors considering the role of remittance provision is the potential for remittance providers to help with bank account creation. Linked accounts can be created in a home and host country, assuming the necessary regulatory provisions and arrangements with local banks. These accounts would allow a migrant worker to have verified bank accounts in both countries through a route that has lower remittance costs than traditional bank accounts. This helps solve financial inclusion problems and helps free up money for pensions and savings. The total value of a transaction could stay the same but the 3% to 9% of the transaction value saved by using the most efficient methods can fund other needs.

A final area that needs supervisory attention is the portability of any larger savings at the end of a migrant worker's employment.

Typically, under AML/CFT rules, low-value transactions into a pension account in a host (or home) country would be deemed to be low risk. However, if a worker saved in the host country

[15] World Bank (2023).
[16] Financial Stability Board (2023).

and wanted to bring the full amount back to the home country, the value could be significant and would raise the risk profile. Rather than lose the money to the pension system, proactive work by pension supervisors could help make larger value one-off transfers simpler and less risky to make. This would be achieved by creating links between home and host country pension and savings systems and collaborating on improved (digital) identity.

Supervision at the Product and Consumer Level

Understanding business models

So far, this Note has highlighted the importance of proactive regulatory and supervisory action to help provide insurance and pension coverage for migrants. This next section looks at more specific regulatory and supervisory issues that are likely to confront supervisors even if they do not take a more proactive role.[17] There are some similarities and overlaps with the financial inclusion agenda and efforts to expand pension coverage to workers in the informal labour market within a country.

Supervisors need to understand and incorporate a number of different business models into their risk-based supervisory approach. Some will be familiar – for example, employer sponsored pension plans. However, some will be new as they are part of the wave of FinTech innovation that is transforming financial services:[18]

- **Bundled provision with remittance providers,** where the remittance provider might offer 'free' life insurance (also known as a 'freemium' model) to users of its platform. This is a form of product differentiation or an attempt to sell insurance or pension service. In this case, it becomes a form of cross-selling, as discussed below.

- **Cross-selling models within a provider group,** where migrants using a non-insurance or pension service are sold insurance and/or pensions. For example, this could be through the provider of a bank account. This can include remittance providers who are not providing freemium products but are aiming to build savings and insurance relationships with their clients or within banking groups.

- **Partnerships** between established (global and regional) insurers or pension providers and newer or local providers who bring a particular ability to access new or hard-to-reach groups such as migrant workers. Global insurer AXA, for example, has conducted market tests with smaller, newer providers who bring improved insight or access to a local market. Partnership models have also been used when an existing provider does not have well-developed systems to target consumers, for example by gender. Partnerships may also target lower-income consumers who have different levels of trust in and understanding of financial services.

- **Incentive-based models with Telecoms (TelCo) providers** so there is some 'free' insurance provision, depending on the amount of airtime use. This is another freemium model.

- **Use of mobile money accounts delivered via TelCos** for both remittances and building savings and other financial services products. Such accounts are a key way to reduce the cost of remittances and thus make any form of saving or insurance purchase in the home country cheaper. The accounts also enable saving, although

[17] This section does not give an overview of supervisory issues for pensions and insurance in general, which can be found in Toronto Centre (2018) and other publications.
[18] For example, see Toronto Centre (2019).

typically only for short-term/rainy day reasons rather than longer-term pension accounts.[19]

- **Cross-selling using 'gig economy' platforms** such as Grab, Go Jek, Go Get, and Uber. Workers employed using these platforms already have a digital link to them and are offered products or the ability to divert a portion of their earnings into a pension. As mentioned earlier, a key barrier to inclusion is often whether the worker using the app is considered self-employed (typically ineligible for pension and insurance programs) or employed and eligible. Changing this would be a government decision where migrant (and other) workers could be included in products simply due to the fully digital nature of the apps. The regional and even global nature of the apps could also make it easier to transfer products and savings.

- **Eligibility for employer-sponsored or workplace pension plans,** where eligibility rules can vary widely between employer plans within the same country and between countries. Rules are typically more variable in voluntary systems than in mandatory systems. In these, the legislation specifies who should be included and which features are included, such as minimum contribution levels. This is an area where most supervisory authorities already have some experience. As highlighted below, enforcing pension rights can be particularly important. Migrant workers who see deductions from salary for Social Security or workplace pensions are particularly vulnerable. If these payments are not made to the relevant government or private provider, they may be difficult to contact if the migrant has left the country.

All except the last of these approaches typically include a partnership with a provider outside the traditional insurance and pension sector. This means the supervisor needs to understand a new way a consumer will gain access to a product and its vulnerabilities. This is often the same for efforts to expand financial inclusion within a country, but with specific differences such as the role for remittance providers. In all cases, regulatory overlap or underlap may be an issue between the different regulators of TelCos, pensions, and insurance.

Another issue for potential providers is having to navigate multiple regulators to gain all the approvals needed. This can be costly and time-consuming. It may also contribute to a limited number of potential providers for migrant pensions and insurance business, apart from the global banks that service higher-income formal sector migrants. One solution for supervisory authorities is to work with the other regulators to have a clear, mutually reinforcing regulatory and supervisory model. This would identify the handovers between them and attempt to make the system work more effectively. For example, in the United Arab Emirates, a group of regulators collaborated to produce joint guidelines for providers using enabling technologies.[20]

The product and consumer level

The next stage of regulation and supervision relates to the product and consumer level as migrants gain access to products through these different business models. As before, there is some overlap with attempts to boost financial inclusion.

A key issue is ensuring gender disaggregated data and considerations are built into product design and delivery. This is generally not happening at the moment in the domestic and migrant space, with many companies not even collecting gender disaggregated data. Therefore, supervisors should ask providers how they are going to understand the different needs of men and women and ensure that their products and services treat each fairly. As

[19] See for example GSM Association (2023).
[20] The Central Bank of the UAE, the Securities and Commodities Authority, the Dubai Financial Services Authority (of the Dubai International Financial Centre), and the Financial Services Regulatory Authority produced CBAUE (2021).

noted, there will be situations where the migrant worker is more likely female, as for domestic workers; and others where the worker is more likely male, as in the construction industry.

As well as having data disaggregated by gender, providers should review experience in pensions, savings, and insurance by nationality, to understand if migrants from different countries are receiving the same benefits. Supervisors should probe to see if there are systematic differences. An example is claims history between different countries, which might be caused by a provider having better developed networks in some countries than others.

Data and enrolment and ID

Earlier, this Note highlighted opportunities to use the migration process itself to improve accurate enrolment using a secure and reliable (digital) ID. Without such progress, it will be important for supervisors to review the processes and audit examples for the quality of the ID obtained for customers who are migrants. This is particularly important for providers in the host country, given the challenges for the migrant in accessing any promised benefits or entitlements when they return to their home country. Providers will need material in the relevant language that explains products clearly. There can also be challenges where language and naming conventions are different from the host country and the potential to enrol people with errors can increase.

Paying insurance claims

A critical problem comes when a migrant worker takes out a life insurance product in a host country with the beneficiaries in their home country. If the person who has insured their life has not given the policy information to their dependents, it may be difficult if not impossible for them to make a claim. Even when the dependents have the details, cross-border and language barriers may make claiming difficult. A tell-tale sign of issues is low claims ratios for insurance products – well below what would be expected with a similar product serving the domestic market. The supervisor should ask the provider how they will make payments for eligible claimants.

One promising approach when the insurer does not operate in both the home and host market is to have a remittance provider alert the dependents of the ability to claim. The dependents are more likely to have a relationship with the remittance provider than the insurance provider and can use this link to navigate the claims process. Insurers who have had success in this area highlight the value of a 'claims as marketing' strategy to grow the business. In markets where there may be low trust in financial services providers, the key to convincing people of the value of the product will be seeing people receive a payout. Clearly, the supervisor will still want to check the soundness of an insurer providing such cover; but in a migrant insurance market the claims ratio is as likely to be too low as too high.

Lost and missing pension accounts

A corollary of the non-payment of insurance claims due to a lack of contact with beneficiaries is lost and missing accounts. These are caused when a migrant worker cannot be traced by a pension provider.

Lost and missing accounts are a problem in pensions systems within a country given the long lead times between starting saving and receiving payouts.[21] The issues are compounded when introducing changes of country. This is a problem for Social Security institutions as well as private providers. A solution to ID verification and linked bank accounts should help both sets of providers. As with insurance providers, supervisors should pay close attention to how the pension or saving provider will keep track of the migrant worker and ensure they receive the payments to which they are entitled.

[21] For an example, see International Organisation of Pension Supervisors (2016).

Locking in pensions until old age or allowing lump-sum transfers

Public policy best practice to maximize income in retirement typically focuses on ensuring that contributions are locked away until a given retirement age. It then focuses on providing an income in old age that protects against longevity risk.[22]

However, accounts for migrant workers pose a dilemma. For migrants who can be traced at retirement, being invested in a well-regulated host country pension plan with a diversified portfolio may give them a financial return they could not access at home. It can also provide an important hedge against future currency depreciation if their home country has a history of financial instability. However, if they access the funds when they leave the host country and before they retire, the funds may be spent before retirement.

One solution, as highlighted earlier, is for supervisors to help pension funds in the home and host country develop partnerships so pension assets can be easily transferred between them at low cost. However, given the lead times in pension products, there is a real risk that a migrant and provider might lose touch, and the migrant would effectively lose 100% of their investment. This means access and transferability when a migrant worker leaves a country needs to be considered.

Investment regulations and liquidity

Another area where the potentially shorter time horizon for a migrant worker affects traditional best practice in pensions relates to investment regulations.

A long-term product that can be invested for decades can have more focus on equities with higher short-term volatility but likely higher long-term returns. Likewise, long-term investors such as pension funds can handle illiquid investments because they are unlikely to need to sell them quickly and at a loss during challenging market conditions. Neither of these conditions will hold for a migrant who might only be saving in a particular country for five years or less. In such cases, migrants do not have the time horizon to be exposed to as much equity risk as a traditional member. The migrant may also want to access all their funds on leaving the country, meaning the provider will have to operate with higher liquidity ratios. The supervisor will need to assess both these elements.

Portability and tax incentives

The right policy for incentives for pensions (and insurance) is a complex area. There is no right mix of tax and matching and flat rate incentives for a pension, and practices differ across the world. However, a general theme is that a government provides an incentive to its citizens to lock their money away until retirement to boost their income in old age and reduce pressure on government-funded pensions. With migrant workers, they will often not be retiring in the host country and so will not be a burden on future taxpayers there. In some cases, migrant workers are not eligible to join the host country pension and Social Security system.

Countries offering EET tax treatment provide tax **exemptions** on contributions (the first ‘E’), and tax **exemptions** on the returns on assets (the second ‘E’). This is in expectation of **tax** received on the income paid from those assets in old age (the ‘T’). This is not the case for migrants, so it may make more fiscal sense to have a TEE incentive approach. In this case, the incentive is given on capital gains and then on the payout, targeting incentives to people who are retiring in the country. This policy is usually the responsibility of the Ministry of Finance rather than a supervisory authority. However, the supervisory authority may have a role in policing the pension products in other countries to which a person can transfer a pension saved in the host country.

[22] For example, see Organisation for Economic Cooperation and Development (2022).

Without some form of approved list of pension plans and countries to which pensions can be transferred, any incentives provided, or rules requiring an income product to be paid, can be easily overturned. This is why partnerships between major pension institutions across migrant corridors are useful and form the model behind the bilateral recognition of ILO conventions. It would be a useful development if, for example, the Sri Lanka Employees Provident Fund (EPF) and the Malaysia EPF had systems that allowed their citizens to contribute when they were in the other country and then transfer balances to the home organization.[23]

Automatic payment obligations

Delivering financial products to traditionally financially excluded groups as well as to internal and cross-border migrants can include high costs to reach and convince people of the benefits of a product. However, the contributions or premiums may be modest. This creates the problem of creating viable products that can grow after a successful pilot. A key part of a successful business model will be setting up a recurring payment. However, such automatic payments come with the potential for consumer harm if the enrolment and product purchase process is not clear and fair.

Supervisors need to pay attention to the sales and on-boarding process, while noting that recurring payments are likely necessary for viable provider models. This is an area where auto enrolment or compulsory provision through government or regulatory requirements will be a key part of covering a hard-to-reach group. This is why the role of supervisory authorities in the overall system is a key part of the picture along with the product and consumer level scrutiny.

Enforcement

A final important consideration for supervisors is enforcement. Migrant workers are vulnerable to poor practice given language and location barriers. Depending on the type of migrant work, they can be in remote areas, on large construction sites with little access to providers, or isolated in private households as domestic workers. There are significant additional issues if the migrants are treated illegally by employers who withhold pay.

This is an area where supervisors might consider setting up migrant-specific teams who could develop different approaches where needed. It is also an area where a supervisory authority would benefit from developing relationships, including joint on-site assessment teams, with their Ministry of Labour or similar who will have a role in examining labour market contracts. It would also be useful to link the authorities and migrant representatives in relevant home countries. These could be an important source of information on which employers and providers are exploiting migrants in relation to insurance and pensions.

Conclusion

This Note sets out why regulatory or supervisory authorities should focus on pension and insurance coverage for migrants. The issue is often overlooked, but with 281 million migrant workers globally, remitting $1 trillion a year and supporting 800 million family members, the issue is important globally, regionally, and in some countries.

The Note reviews how a supervisory authority could take a more proactive role to help create a system that can work for migrants. It notes the potential links between public and private pension pillars, and between mandatory insurance plans created for migrants by governments

[23] Some people have suggested creating regional pension saving pools into which migrants could contribute so there could be a clearing house between countries (or example, between South Asia and the Gulf Countries) to have a simple, low-cost pension plan for all migrants.

and options in the voluntary private markets. Initiatives using the migrant process to improve data, ID and financial inclusion, and to support lower cost remittances, can all help improve the overall system and reduce the resources supervisors need to tackle poor value products or mistreated consumers.

The Note sets out migrant-specific product and consumer issues that need attention. These are easier to solve if a supervisory authority has a proactive approach to the overall system. Issues may remain given the nature of the migrant experience. These include getting claims paid for insurance, whether to lock in pension contributions until retirement, and the horizon for investment strategies given the potential for migrants to return to their home country.

Box 2 sets out a plan for a supervisory authority wishing to take practical steps in this area.

Box 2: A simple migrant action plan for a supervisory authority

A supervisory authority could test the importance of migrant insurance and pensions in their jurisdiction and develop an action plan to improve outcomes. This action plan could include:

1. Review flows of people and remittances for the country as a whole and for the largest bilateral corridors.[24]
2. Review the home and host markets across the key corridors to see which elements of pension and insurance provision are most likely to have gaps and risks for consumers, especially vulnerable groups.
3. Focus on improvements in the home and host markets that can build in inclusion for current and future migrants, so their experiences are built in by design.
4. Develop regulatory and supervisory links to key host countries. Work to improve the flows of data, money, and information between each country so more pension contributions and insurance products can work well – with an open mind on how this can best be achieved.
5. Review pension and insurance products for migrant-specific risk, from payment of claims to enforcement.
6. Recommend that migrant worker issues be included in the country's next Financial Inclusion Review.
7. Focus in particular on cross-border flows such as remittances. This would allow making payments directly from or into a pension, and insurers can easily receive premiums and make claims payments cross-border.
8. Support efforts to reduce the cost of remittances as part of the Sustainable Development Goals. This will help consumers save significant amounts of money that could be repurposed for insurance and pensions, particularly when good quality provision can be bundled with remittance payments.
9. Work with relevant regional and global bodies in insurance and pensions and create links to payments system debates among central banks to improve the integration of payment systems relevant to insurance and pensions across borders.

[24] This first step – to judge as part of a risk-based supervision approach the significance of the potential risks and benefits – is relatively simple, as country-by-country data on migrant workers are available from International Organization for Migration (2021), including total migrant worker flows and the flows to individual countries. This can be paired with similar data on remittance flows from World Bank / KNOMAD (2022), to get a sense of the potential financial flows. Given that migrants face a range of challenges to good provision, they are a potentially high-risk group. Matching significant people and financial flows to a higher risk of negative outcomes (and the chance of making significant positive developments) will help place the issue in the range of priorities for a supervisory authority.

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