

SAVINGS & INSURANCE

FOR THE POOR

PROJECT SUMMARY

MUNICH-RE FOUNDATION MICROINSURANCE CONFERENCE

MANILA, NOVEMBER 2010

This note summarises work carried out to date on a study of microinsurance products that combine their insurance offering with an element of saving, contractual by implication. Three case studies have been drafted; one or two more we hope to add between now and the conference. Most importantly, synthesis of findings will be complete and we will be in a position to comment on some of the approaches taken by insurers that appear to have borne fruit.

Rob Rusconi
16 September 2010

Introduction

This note summarises the work carried out to date on research of existing insurance initiatives aimed at lower-income customers that combine elements of saving with the insurance provision. The work is incomplete so this document summarises the objectives, methodology and progress to date and sets out some of the early lessons learned. The presentation to the Munich-Re conference in Manila will present a more complete picture.

The project has been commissioned by the ILO Innovation Facility with a view to publication in the Microinsurance Compendium and I am grateful to colleagues Michal Matul, Mary Yang and Craig Churchill for advice, introductions to contacts and financial support.

I also acknowledge with thanks as well the invaluable contribution of the team at CIRM, Chennai, who assisted with the gathering of information from India-based insurers, and comments on the research as a whole.

Purpose of research

The purposes of the project may be summarised as follows: it aims

- to consider examples of insurers, preferably spread across a number of countries, that offer products aimed at the poor that combine elements of insurance and savings;
- to understand the product characteristics in fair detail, together, as far as possible, with some insights into distribution channels, operational complexity and overall success or failure of the offering; and,
- to summarise the lessons learned with a view to assisting existing and new providers with thoughts on the experiences that may be relevant to them.

Much of what an insurer goes through in its product development and distribution cycle is unique either to the country or the insurer itself. We cannot expect to be able to replicate all of the achievements of a particular case in another (and avoid its failures) as if it were some model for success. But we hope, through the project, nevertheless, to identify a few factors from one or more of the case studies that may be useful in similar pursuits elsewhere.

Research methodology

The approach is relatively straightforward. We aim to identify insurers with products that meet a pre-determined set of criteria, most importantly, that

- the product is clearly aimed at low-income customers, and that
- it includes significant elements both of saving and insurance.

The term *significant* is important, difficult to define and unavoidably subjective. We decided not to include a very promising offering from West Africa, for example, when it became clear that benefits under the insurance part of the product were payable only if the death occurred as a result of an accident and that no claims had been paid since inception. But we did not insist on some rule to determine this significance, clear attribution of premium to insurance and savings, for instance. One of the products included would have failed this test yet unambiguously provides both savings and insurance benefits that are meaningful.

Insurers and their products were identified through a combination of market knowledge, industry contacts and published research. Cooperation of the insurer was deemed crucial to the exercise, so we sought commitment of support and requested responses to a standard question set. Product brochures, where available, were very helpful, though the quality of information in marketing material varies considerably.

We used the available material to draft a set of impressions, summarising the information and reflecting on its implications regarding the overall success of the product and its implications for others. We then sought to clarify uncertainty of understanding and afford opportunity to comment on the draft. This is work in progress.

The final step is to put the findings together, synthesising and comparing across cases and drawing conclusions to the benefit of readers.

Progress to date

We identified between eight and ten insurers, spread across five Asian and African countries, that we believed would have products that would meet the criteria set for them. Products needed to have a reliable track record which meant, in practice, more than two years of experience.

For a number of reasons, support has, at the time of writing, been limited to three Indian insurers. Though we could have included more insurers from India, and perhaps with the benefit of hindsight we should have done so, we believed that it would be more appropriate to ensure a spread across a number of countries. We hope still to include a case study from a Bangladesh-based insurer as well.

There were a few reasons for the exclusion of some products from the set of case studies within the project. These include:

- limited resources at the insurer, or a reluctance to share information that may be regarded as commercially sensitive,
- products apparently suitable to the project that, upon closer inspection, prove not to have the attributes sought, and
- products in the process of re-launch or redesign, making detailed commentary on the existing offering inappropriate.

A survivorship bias must be acknowledged as taking effect here. Insurers are less likely to put time and effort into describing product attributes, distribution methods and operational concerns where the initiative has not generated the success hoped. The study is limited in practice, then, to learning from the achievements of others rather than from both their successes and failures.

We hope to be able to include at least one more product in the case studies to be presented in November and the final paper will include a summary of developments in other parts of the world, even where products could not be included.

Initial lessons learned

It is a little premature to reflect on the full range of lessons learned as we need to synthesise the information and consider everything together. Nevertheless, a few points are worth making at this early stage.

- **Product variability.** Insurers have adopted a range of approaches to product design, suggesting that there is no single approach that works better than others. In areas like meeting the cost of the insurance component, surrender terms and the range of options available to policyholders, insurers have adopted quite different approaches.
- **Distribution approaches.** Distribution methods are, no doubt, highly country- and culture-specific, but it is again interesting to see the range of approaches used in the products studied. Targeting groups rather than individuals is clearly useful, since they bring a measure of scale that individuals cannot provide. While some insurers limit product access to groups of a minimum size, others are happy to sell to individuals, with a strong willingness to test a wide range of channels.

Next steps and concluding comments

While it has been challenging to put together a range of case studies sufficiently large and diversified to draw solid conclusions across a wide spread of issues, the research that we have been able to carry out has been extremely interesting and is providing a useful range of insights regarding some of the approaches that have worked well.

We plan to add further cases as they become available, complete the writing up and, most importantly, synthesise the findings into a coherent set of thoughts for others to consider.

By the date of the conference, this work is expected to be largely complete.