

**Microinsurance Conference 2005**  
*Making Insurance Work for the Poor: Current Practices and Lessons Learnt*

**Panel 4:**  
**Role of insurers, reinsurers and  
technical assistance providers**

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Inst. For Health Policy and Management

**Who-is-who on the panel:**

**1. Insurer /re-insurers:**

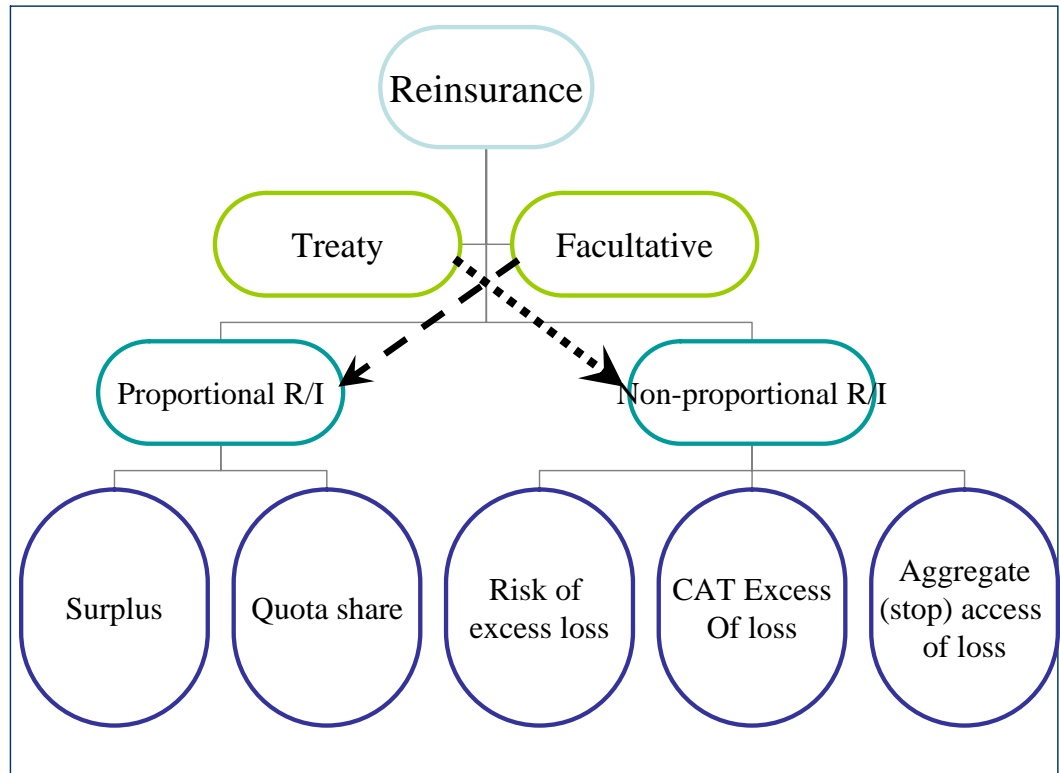
- Annette Houtekamer-van Damme (Interpolis Re)
- August Pröbstl (Munich Re)

**2. Technical assistance providers:**

- Richard Leftley (Opportunity Intl.)
- Jean-Bernard Fournier (Dejardin Intl Development)

**3. Facilitator:**

- David Dror (Social Re project & EUR)



An insurer reinsures in order to gain:

- “Capacity” = to extend the insurer’s ability to underwrite a single loss exposure (**large line capacity**) or many contracts in one line of business (**premium capacity**) beyond its own financial limits
- “Surplus relief” (a.k.a. Financing) = to reduce the amount of surplus the company must set aside for unearned premium
- Catastrophe protection = to spread exposure to fundamental risks that can endanger the company’s survival
- Stable loss experience = to keep loss ratios within defined tolerance levels, and ensure steady profits

**TABLE 32 Community Health Insurance and the Four Functions of Reinsurance**

<i>Function</i>	<i>Applicability</i>	<i>Effect</i>
Financing	Yes	Define amount of capital available to direct insurance company to establish retention limits.
Capacity	Yes	Coverage of large sums and highly exposed risks may require limiting size of some accepted risks, by setting up boundaries for each type of risk, scaled down by nature, severity, and experience.
Stabilization of loss experience <ul style="list-style-type: none"> <li>• Per risk</li> <li>• Per occurrence</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• Calculate risk of fluctuation and risk of error in loss experience.</li> <li>• Calculate probability of company's risk of ruin by assuming catastrophic event.</li> </ul>
Underwriting assistance	Yes	Lack of expertise is major factor for failing to establish optimal retention limits.

## Growing values in exposed areas can cause higher insured losses



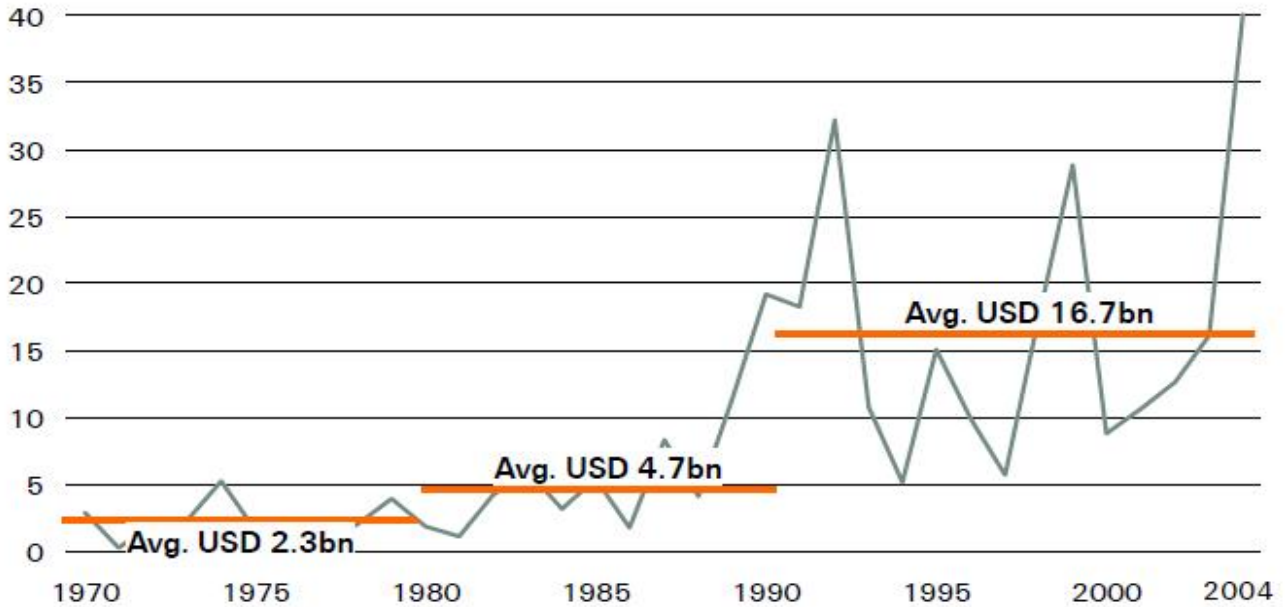
Ocean Drive, FL, 1926.



Ocean Drive, FL, 2000.

## Weather related<sup>(1)</sup> Nat Cat insured losses 1970 – 2004 (property and business interruption)

USD bn, at 2004 prices



Note <sup>(1)</sup>: Includes storm, flood, cold, drought, hail  
Source: Swiss Re sigma Catastrophe database

— Long-term average

## Some nagging questions to the panelists

MIUs make a difference

MIUs are vulnerable

Reinsurance is not readily available to MIUs

New strategy for a new challenge

1. If the poor are insurable, why is there so little offer of affordable insurance?
2. If the MIUs underwrite risks of the poor, why do commercial insurers not do so?
3. What investment is the insurance industry making toward developing products for the poor?
4. What investment is the reinsurance industry making toward developing services for MIUs?
5. What role do the TA providers play in the development of insurance for the poor?

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1. MIUs are increasingly becoming the vectors for access of the uninsured (poor) to insurance
2. However, most MIUs are underfunded, understaffed, operate as stand-alone undertakings, and suffer from small-size vulnerabilities
3. The defining characteristics of MIUs clash with the agency role for commercial insurers
4. Hence, MIUs and reinsurers engage in a “dialog of the deaf”
5. TA providers, operating in separation from reinsurers, add to the fragmentation

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1. Is the reinsurance industry looking at the “bottom of the pyramid” as a business opportunity? (Delta soap, mobile phone, micro finance etc)
2. Is there a way for reinsurers to collaborate with others (to reduce exposure and spread the cost of developing the market) → **Joint Reinsurance Underwriting Association**
3. Alternatively, will reinsurers prefer regulation obliging them to cover the MIUs? (e.g. India’s “social” and “rural” clause for insurers)

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1. What is the essential role of TA providers:
  - facilitators between insurers and MIUs?
  - Brokers of insurers?
  - Providers of IT solutions?
  - Neutral technical advisers?
  - Representatives of donors?
2. Who should pay for TA?
  - MIUs?
  - Donors?
  - Insurers?
  - Providers of good and services?
  - Others?

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1. If MIUs are here to stay, what “wish list” do the providers and the reinsurers have from MIUs for doing more business with the poor?
2. What do you think will the micro insurance industry look like 10 years hence?
3. What role will reinsurers have 10 years hence in making insurance work for the poor?
4. What can the industry do to accelerate results?