

## Press release



**The microinsurance sector plays a key role in the fight against poverty. This is the core message in the final statement of the International Microinsurance Conference „Making insurance work for the poor. Current practices and lessons learnt“, staged by the Munich Re Foundation and the initiative CGAP (Consultative Group to Assist the Poor) at Hohenkammer from 18 to 20 October 2005.**

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Of the four billion people on earth today who live on less than US\$ 2 a day, fewer than 10 million currently have access to insurance. For this reason, the Munich Re Foundation in cooperation with the CGAP Working Group on Microinsurance invited around 100 experts from 25 countries to discuss challenges and solutions in connection with providing basic life and health insurance to the poor and to analyse the findings of around 20 case studies on existing microinsurance services. “Many people still doubt that the poor can be insured,” said Dirk Reinhard, Vice Chairman of the Munich Re Foundation. “But the conference has clearly showed that there are several viable solutions.” Low-income households may spend 30% of their income on health, largely from out-of-pocket expenses. “The number of microinsurance schemes and persons served has doubled every year over the past ten years – albeit from a low base –” added Craig Churchill from the ILO, Geneva and Chairman of the CGAP Working Group on Microinsurance. “Many schemes are quite small, but some show that the potential outreach is enormous. For example, there are three schemes in Bangladesh, Uganda and India, each covering well over a million people.”

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Case studies prepared by the participating organisations and the United Nations demonstrate the enormous need for basic financial products that have become normal for people in industrialised countries such as savings accounts, loans or insurances.

According to the United Nations Capital Development Fund, up to 80% of the 5.1 billion people in developing countries derive their incomes from the informal economy. Microinsurance can provide solutions for these people to cope with risks in spite of low and often irregular incomes. “Access to microinsurance enables workers in the informal economy to obtain the type of protection that is taken for granted by persons in the formal sector,” said Churchill.

“Health plays a key role in fighting poverty,” underlined Reinhard. Recent studies by the World Health Organization show that every year

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approximately 44 million households throughout the world, or more than 150 million individuals, are faced with catastrophic bills for health services (exceeding 40% of their financial capacity), and about 25 million households or more than 100 million individuals are pushed into poverty by the need to pay for such services. Overall, low-income groups, especially in developing countries, have a greater proportion of so-called “catastrophic levels” of health spending. With this huge unmet demand for protection, the UN Year of Microcredit 2005 emphasises the importance of strengthening impoverished communities.

Ill health and the cost of healthcare act as major obstacles to persons trying to break out of the poverty cycle. Therefore, the health of the poor must be addressed before they can rid themselves of want. Despite all the barriers and difficulties, the case studies revealed that microinsurance products can be developed and implemented with only limited or even no donor funding. Even though health insurance is by far the most challenging type of microinsurance, it is possible. AssEF (Association d’Entraide des Femmes ) from Benin, one of several success stories, showed that, with the participation of the community, a health insurance product can be designed to provide coverage within people's financial means. The programme's viability is sustained by strong management and careful monitoring. For example, the monitoring system identified that inappropriate care was being provided by one of the health centres and the scheme intervened to rectify the situation.

“Microinsurance may be a difficult topic, but there are promising projects if the relevant experts work together all around the globe,” says Thomas Loster, Chairman of the Munich Re Foundation. “The conference made it clear that adequate and even profitable microschemes can be put in place in Africa, Asia and other parts of the world simply if governmental bodies, financial experts and the people affected work together.”

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