

# DID



## 2005 Microinsurance Conference

**Making insurance work for the poor  
Current practices and lessons learnt  
18-20 October 2005**

**The role of technical assistance providers  
DID experience  
Jean Bernard Fournier**

 **Desjardins**  
Développement international

# DID



- ▶ DID is Canadian corporation specializing in providing technical support and investment for the community finance sector in developing countries since 1970.
- ▶ DID is working with 28 networks in over twenty countries.
- ▶ DID support 1 000 local institutions, 2,5 M members, assets over US \$ 1 G.

 **Desjardins**  
Développement international

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- We believe that access to financial services is a necessity, not a privilege.
- We also commit ourselves to empowering communities and developing long-lasting partnerships.
- Empowering communities means building up community-oriented and owned institutions.

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- DID is a component of the Desjardins Group, an integrated financial cooperative.
- Desjardins hold assets worth US \$100 billion and deliver services to more than 5 million members in Canada.
- Desjardins has been providing insurance services to its members since 1944.

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## DID and microinsurance

- Various savings and credit cooperative networks began developing microinsurance products in the 1990s.
- 1998-2001 DID conducted studies on microinsurance: members of cooperatives had specific insurance needs.
- DID decided to promote the development of insurance products delivered by financial cooperatives.

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**Our understanding of the role of  
a technical assistance provider**

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## Savings and credit networks versus commercial banks

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- ▶ Institutions providing access to financial services for the poor are, local institutions deeply rooted in the community.
  - ▶ Clients become attractive prospects to the commercial banks.
  - ▶ MFIs could no longer be able to cross-subsidize products.
  - ▶ The same threat in microinsurance.

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## Professionalization

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- ▶ Microinsurance is a new activity: TAP help their partners manage this activity and enable them to professionally manage it.
  - ▶ Must be managed with the same level of professionalism as insurance.
  - ▶ Requires accurate operations and a well-run management team.
  - ▶ Financial intermediation must always be kept completely separate from micro-insurance.

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## Setting the standard

- To help MFIs in their relations with other stakeholders, a microinsurance technical provider have to be associated with a fully recognized organization.
- To be linked with credible institutions is a way to lower risk.

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## Capacity building

- Capacity building is the keystone of technical assistance in micro-insurance.
- Specific training programs must be developed and delivered to all MFI employees.
- Employees well trained are more efficient and less fear change.
- People resistance to change must not be neglected.

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## Professionalization of the micro-insurance program in West Africa

- ▶ Project with an apex organization member of CIF : FUCEC-Togo.
- ▶ Supported by Desjardins Financial Security, in financial partnership with, ADA Luxemburg and KBC Bancassurance.
- ▶ Develop CIF network members capabilities to manage insurance products.
- ▶ Why FUCEC ?

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## DID as technical assistance provider

- ▶ **Product design**
  - ▶ Credit-life with additional benefit (US\$ 185).
  - ▶ Premium: 0,9 % per year.
  - ▶ Limit US\$ 18 500.
  - ▶ Reinsurance by Score-vie.
  - ▶ Partner was involved in all steps.

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## DID as technical assistance provider

### ▸ Basic accounting standards

- Separate accounting system was set up for microinsurance activities.
- Register for all loans insured and a table of insurance claims recorded with the MFI.
- TAP provided support to ensure micro-insurance product met CIMA requirements.

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## DID as technical assistance provider

### ▸ Management

- Fast payment of claims is linked to client confidence. Sound management of the micro-insurance product.
- Support for setting up a management information system was also provided through our technical assistance.
- MIS : a powerful instrument for monitoring the products progress.

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## Results

- After 6 months in an institution: premiums of US \$11,200 were collected (from 556 loans worth over US \$768,000).
- Expansion throughout the network. Number of loans = 6,500 (US \$ 7,5 million) Amount of premiums over US \$ 110,000.
- Focus groups were used.
- A test is now running in the Burkina Faso RCPB, another CIF member.

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## LESSONS LEARNED

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## Avoid rushing

- Micro-insurance is a relatively new activity.
- Overly fast expansion of the micro-insurance product into all institutions caused product management problems.
- Subscriber information not quickly available.
- Realistic deployment plan is still important even if the pilot project was a success.

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## Strong commitment from management

- The directors of the local institution are the key to mobilizing the employees and must make a full commitment to the project.
- Introducing a new product requires a high level of availability, especially if staffing is low.
- Director with strong leadership abilities who can replace the employees fears and resistance to change with open mindedness and a spirit of cooperation.

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## The importance of sensitizing clients

- ▶ Good communication strategy between micro-insurance providers and its clients is determining factor for successful introduction of the product.
- ▶ Reluctance shown by members dropped significantly after the launch of communication strategies.
- ▶ The product achieved acceptance from clients who saw it as a good opportunity to protect their assets.

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## Savings-life insurance and the poorest

- ▶ Savings-life insurance is not attractive to MFIs.
- ▶ Member illness = savings account used to compensate for lost income. The coverage offered by this product is low in relation to the premium paid by the member.
- ▶ It appears better to offer full-life micro-insurance even if the coverage is lower. Partnership with insurance company.

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## Training, training, training

- ▶ CIF coverage (6 networks in 5 countries) offers good economies of scale for training material development costs (more than 625 loan officers will be trained).
- ▶ Training loan officers to be in charge of presenting the product to its members is critical.