

DEMAND FOR MICROINSURANCE BY THE POOR

Monique Cohen
Microfinance Opportunities

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Questions

- Who has a life insurance policy?
- Who has health insurance or access to quality public health services?
- Who has property insurance?
- Who has credit cards?

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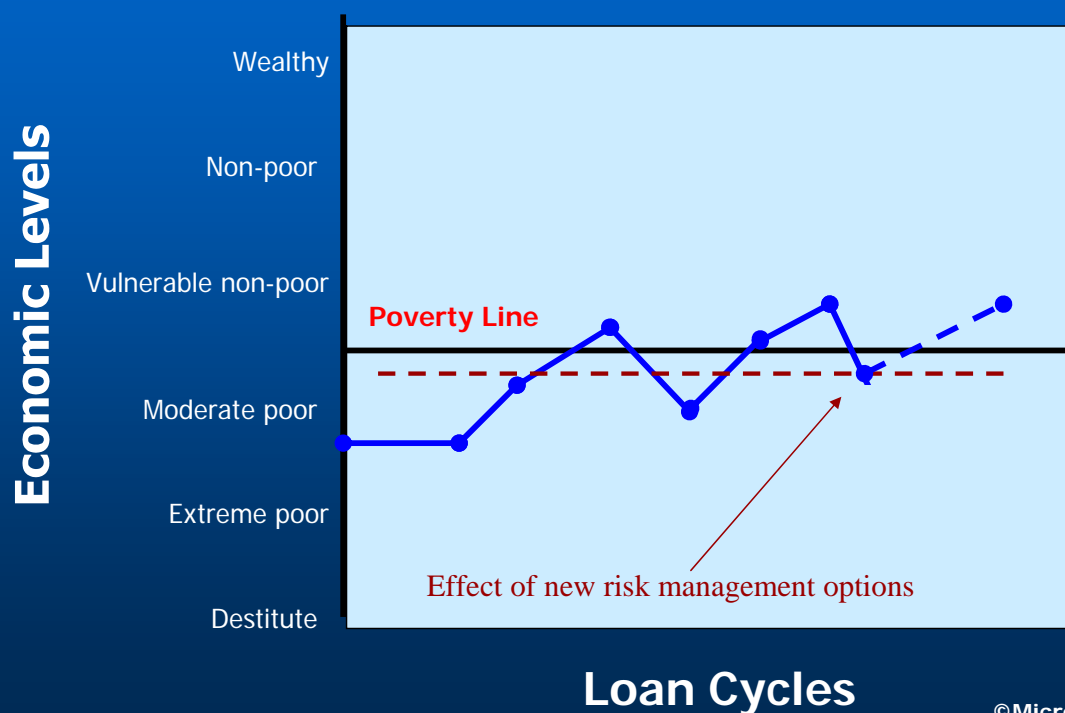
“LIFE FOR THE POOR IS ONE LONG RISK”

A CARD Bank client

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IMPACT OF SHOCKS ON FAMILY INCOME



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Source: M.J. McCord. The Microinsurance Center

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Microinsurance innovation requires understanding demand

- The shocks or economic stresses poor people face
- The impact on their lives
- Their current coping strategies
- The opportunities and challenges for delivering insurance to low income households

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SHOCKS AND STRESS EVENTS

- Most stressful:
 - Death of an income earner
 - Illness
 - Property loss
 - School fees
- Other:
 - Crop loss
 - Animal loss
 - Enterprise risk
 - Risk of a microfinance loan
 - Loss from economic downturn



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COPING STRATEGIES

SELF INSURANCE

(retain risk)

Financial Services
Current income
Borrow from money lenders
Lend and borrow from family/friends
Purchase and sell or pledge assets
Precautionary measures
Diversify income sources

INFORMAL GROUP-BASED MECHANISMS

(share risk)

Welfare associations
Burial societies
Church group loans
ROSCAs and ASCAS
Fund raisers
Hiring of guards

SOCIAL PROTECTION

(transfer risk)

Public health services
Disability compensation

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FORMAL INSURANCE (transfer risk)

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Coping Strategies, by Risk

Risks	DEATH INCL. FUNERALS	HEALTH	PROPERTY
Coping Strategies			
SELF INSURANCE	FINANCIAL SERVICES Money lender	FINANCIAL SERVICES Current income Family/friends Sell/pledge assets Money lender	FINANCIAL SERVICES Current income Sell assets Precautionary measures
INFORMAL GROUP- BASED MECHANISMS	WELFARE ASSOCIATIONS	WELFARE ASSOCIATIONS Borrow from church groups Fund raisers	WELFARE ASSOCIATIONS Hiring of guards
FORMAL INSURANCE	Partnerships between insurers and MFIs	Health insurance	
Social Protection November 2006	Disability Compensation	Health services	© Microfinance Opportunities "Putting Clients First"

IDENTIFYING OPPORTUNITIES

Product Attributes

- Coverage
- Accessibility
- Timeliness
- Affordability



CHALLENGES TO ENTRY INTO THE LOW-INCOME MARKET

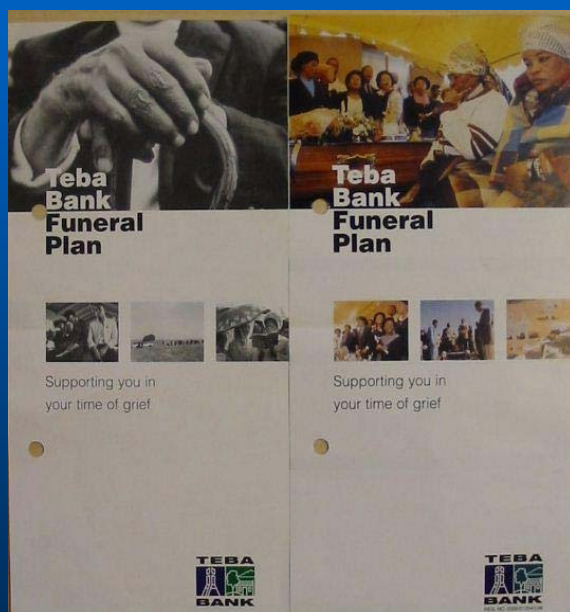


- By gender
- By income level
- By location
- Lack of understanding of insurance

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INSURANCE EDUCATION: Linking the product to the customer



- What is it?
 - Insurance education is teaching the **knowledge, skills** and **attitudes** required to adopt good money-management practices and for managing risk.

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Insurance Education: Who Needs It?

- Policyholders
- Staff –
MFI/insurance
agents



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MOVING FORWARD

- Remember..... these services are likely to complement existing (informal) risk management mechanisms, not displace them
- Few poor people will be able to afford more than one insurance product
- But.....this is an enormous market!

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For More Information:

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www.microfinanceopportunities.org

Monique Cohen: MoniqueC@mfopps.org

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