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**ACSI's move towards offering  
Microinsurance Services:**  
*Exploring Strategic Opportunities and Barriers*

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# OUTLINE

- I – Background
  - II – Microinsurance Services:
    - Key Issues MFIs like ACSI Could Understand
  - III – ACS's Credit Life Insurance:
    - Rationale and Performance
  - IV – Concluding Remarks?
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# I – Background

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# Amhara Credit and Saving Institution(ACSI)

## *Why Concern about Microinsurance?*

### **Vision Statement:**

- ACSI envisions to see a society in which people are free from the grips of abject poverty, with all the power determining their future in their own hands.
  - A “double bottom line” objective of alleviating poverty and ensuring financial sustainability
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# Amhara Credit and Saving Institution(ACSI)

## Why Concern about Microinsurance?...

- Many factors have accounted for the high level of poverty in Ethiopia, among which low level of capital and of monetization is one
  - **PASDEP**
- (a) enabling people, communities, businesses- including improving their risk management capabilities
- (b) achieving the objectives through decentralization,
- (c) targeting services to vulnerable groups

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## Amhara Credit and Saving Institution(ACSI)

### Why Concern about Microinsurance?...

- In Ethiopia, the rural financial landscape essentially remains dominantly informal.
  - Informal financial institutions help the poor to **cop** and **reduce** risky events with limited capacity.
  - MF services as risk management tools
    - Insurance as a '**Superior**' alternative—thinking beyond **self-insurance**
    - **Causal relationship** between MF & MI
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## II--Key Micro-insurance Issues MFIs like ACSI Could Understand

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# Key Micro-insurance Issues...

- Insurance as a Microfinance Product?
- Note on the definition:

“Insurance is a financial product that pools risk by collecting relatively small premiums from a large population and funding relatively large payouts to the small portion of that population that suffers losses from a specified risky event”---(Bamako, 2000)

- **MI is a financial product but with different profile**
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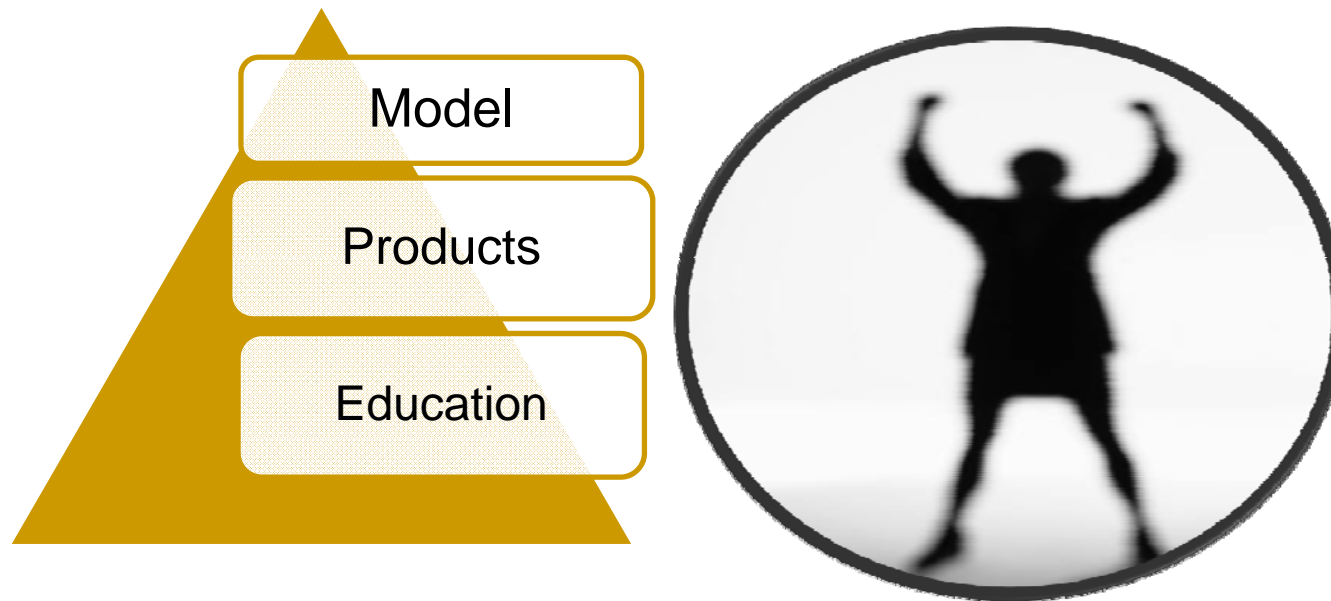
# Key Micro-insurance Issues.....

- The role of conventional insurance companies for MI creation, wide scale implementation, and sustainability?
  - What do we learn from microfinance evolutions? Have the conventional Banks helped much during this evolution?
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# Key Micro-insurance Issues.....

- **Innovation Requirements to Deal with Challenges**



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# Key Micro-insurance Issues.....

## **Model: Lessons from the 'Credit With Education' Model**

- ***Unified***

(Same Staff of same organization, same people)

- ***Parallel*** (one organization)

-microfinance through a specialist staff, and

-Microinsurance by different experts

- ***Linked*** -- **"LET BANKERS BE BANKERS"**

- ✓ microfinance by an MFI

- ✓ Microinsurance by licensed insurer

- ✓ Coordinate marketing, delivery, and administration

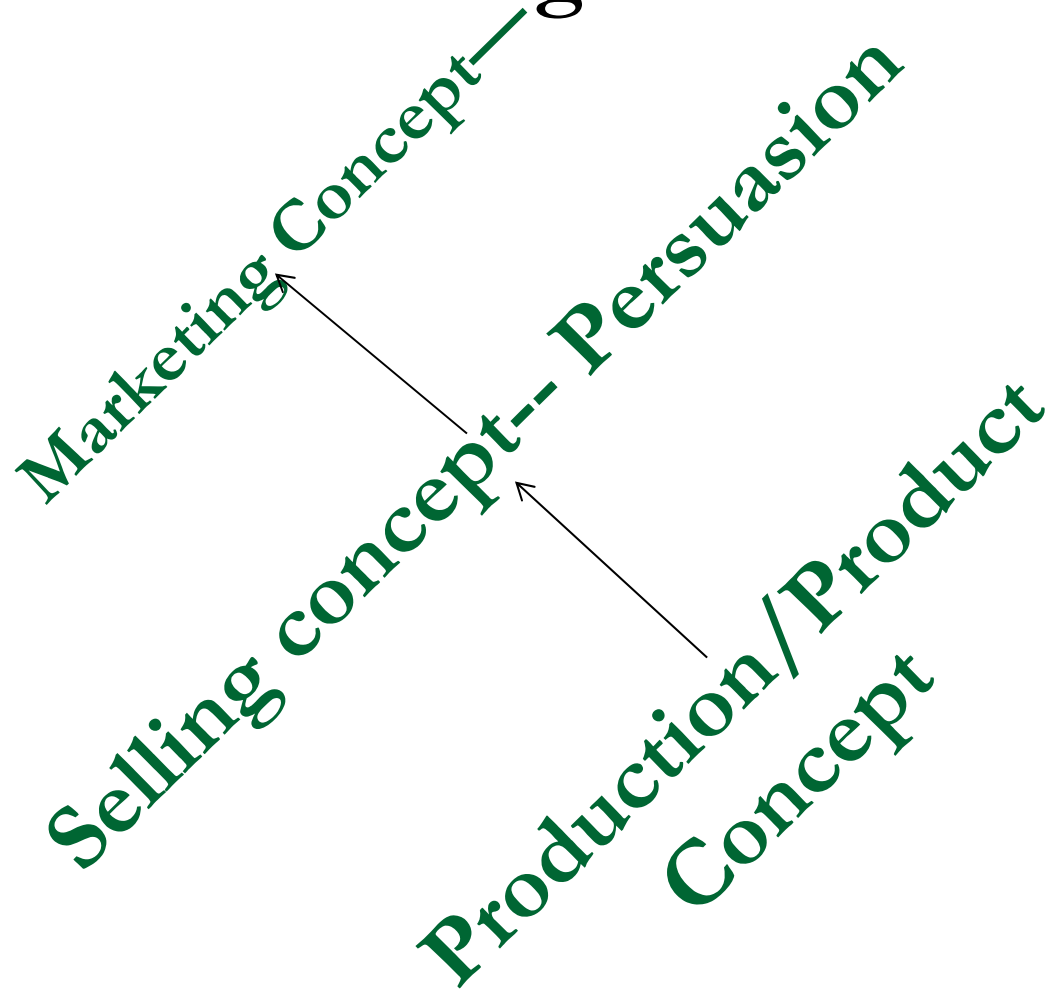
- ✓ Mutual referrals...MI+MF

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# Key Micro-insurance Issues.....

## Product Marketing?



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# Key Micro-insurance Issues.....

## Dealing with Regulatory Requirements

- Financial Services for the poor as good **entry points** for government development policies and strategies is widely recognized
  - In Ethiopia, government policies encourage modern financial services for the poor.
  - The new microfinance proclamation (Proclamation No. 626/2009, article 8 ) recognizes MI as one of MF services/products
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# Key Micro-insurance Issues.....

## Bridging Microinsurance Capacity Gaps

### ■ Purpose:

- ✓ The need to have 'management buy-in'
- ✓ Microinsurance is not just
  - Insurance
  - financial product
  - microfinance product
- Training need assessment coupled with a wide range of actors participation is required

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# III – ACSI's Credit Life Insurance Rationale and Performance

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## ACSI's Credit Life Insurance...

- ACSI has more than 700,000 borrowers and above 400,000 voluntary savers.
  - ACSI MF clients are prone to insurable risks
    - ✓ (such as death, illness, crop or business failure, etc).
  - Why 'credit life' insurance product?  
Important to improve the performance of the MF group loan product (portfolio quality retention rate,..)
  - Good **entry point** to have an idea about MI
  - ACSI underwrites the risk itself
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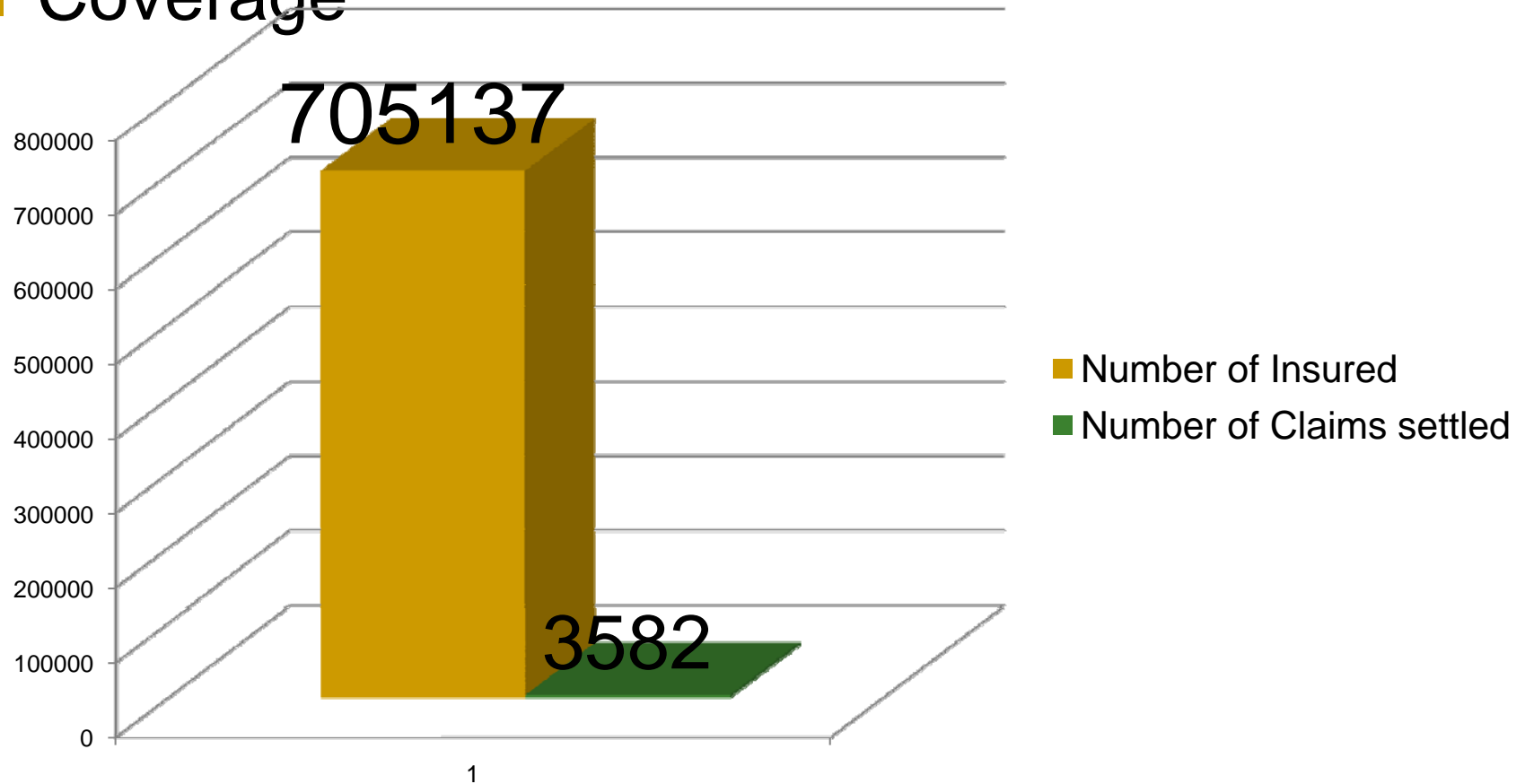
# ACSI's Credit Life Insurance...

## **Clients' Feed Back**

- Reduce the debt burden risks at family & group level
- There are requests the product to cover for life of a client's spouse, and more.
- Clients are becoming aware of MI
- Mitigate HIV/AIDs risks among family members as well as group-mates of a person died of AIDs,
- But with some risks of increased adverse selection and changing the MF client profile

# ACSI's Credit Life Insurance...

## ■ Coverage



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# ACSI's Credit Life Insurance...

## ■ Product Value



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# Concluding Remarks??

- Insurance complements the encouraging job that ACSI is doing
  - In Managing insurance products, strategic approaches should be explored:
  - Bridging capacity building on MI mechanisms including for commercial Insurers is essential
  - Support for Market Research for MI product development and piloting is called up on
  - Experience in partnering with a licensed insurer can provide significant benefits to ACSI, its clients, and the insurer alike
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## Concluding Remarks...Con'd

- Appropriate feasibility study and structural design having ACSI's operational circumstances are concerned
  - The credit life insurance, besides its direct benefits to the MFI and the clients, it can be used as a starting point to initiate and take action with regard to designing and implementing other insurance products
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THANK YOU