

Mutual Solutions best option for poor people

Munich Re Foundation: Panel 4,
reinsurance and technical assistance angle



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Annette Houtekamer – van Dam

Programme

- **Challenges for insurance development in developing countries**
- **Creation of alternatives: mutuals and other**
- **Upscaling**
- **Potential next steps**

Challenges for insurance development in developing countries (1)

- **> 2 billion people do not have a financial form of protection against risks**
- **Increasing vulnerability for disasters**
- **Micro credit has a ceiling**
- **Personal and informal means can not cope with risk financing needs**
- **Mainstream insurance and social security too expensive or not developed**
- **Understanding the notion of insurability & Search for expansion**

Challenges for insurance development in developing countries (2)

- **Transparency of cost price and costs involved**
- **Estimation of costs in relation to probabilities**
- **Integration of financial systems and risk cultures**
- **Understanding the notions of risks and the management of uncertainty**
- **Repositioning of government and private institutions**
- **Overall strategy: deeper understanding of various roles**

Creation of alternatives

Current experiences:

- Risk pooling by mutual insurance schemes
- Creating better access to the mainstream insurance industry
- Risk pooling by means of mutual benefit programmes
- Risk transfer between regions by means of reinsurance or derivatives

Mutuals and mutual benefit schemes: perfect match with micro finance and culture

- Synergy: Savings -> Credit -> Social security
- Ultimate responsibility, solidarity, mutuality via women self-help groups
- Mutual solution requires less solvency and enhances cooperation in a community
- Tailor-made solutions catering to the need of the poor

Up-scaling: lessons learned?

- **Risk analysis and risk calculation: lack of data**
- **Balancing needs and possibilities**
- **Sustainable agreements with mainstream insurance industry and governments**
- **Organizing reinsurance capacity**
- **Administration and control**

Up-scaling: challenges?

- **Lack of information needed for underwriting**
- **Lack of local insurance expertise**
- **Lack of awareness and understanding of insurance**
- **High opportunity costs of premiums for the poor**
- **Lack of legal structure and financial services infrastructure**

Up-scaling: challenges?

- **Lack of a culture of risk reduction and mitigation**
- **Partner differences in vocabulary, organisational operations and timelines**
- **Need to define partner roles clearly**
- **Lack of national stability and thus insurance industry confidence**

Up-scaling: opportunities?

- **Developing country involvement and investment as a long term business case (CSR)**
- **Enhance dialogue with the poor as potential clients and scheme managers**
- **Foster greater awareness of insurance solutions and services**
- **Enable local communities**
- **From dialogue to action**

Potential next steps

- **Develop a common understanding of data needs and then implement mutual data collection activities**
- **Develop and share pilot projects and case studies**
- **Provide training and capacity building**
- **Study the actual impact and effectiveness of insurance, also in partnership with other risk management activities**

Potential next steps

- **Invest in institution building**
- **Establish and support insurance champions/sponsors**
- **Develop incentives to reduce disaster risk**
- **Establish a common language**
- **Develop proper reinsurance programmes**



thank you for your attention