



Social Protection

**Through Micro
Insurance**



How I understand Insurance

- Insurance is a risk carrier, it takes away from the customer the burden associated with uncertainty, and build confidence so that they can reap the full potential of their lives and livelihoods.

Context

- “The Asia and Pacific Region has half of the world’s population. Of the total 3.1 billion, 900 million are poor (30%), 1.2 billion are children and youth (40%) and 1.8 billion live in rural areas (60%). These populations are highly vulnerable.”

Sri Lankan context

- 40% of the population in Sri Lanka is below 2\$ income, and are not taken seriously as customer segment of the conventional insurance industry.
- Conventional insurance service has been restricted for a group of people who are generally better off, have regular incomes, or are engaged in industries that generate more stable earnings
- The products and services of the industry have been developed to cater a more privileged segment of society whilst regulations, risk assessment frameworks, rating systems, all have been developed to support a commercial business.
- Industry is having more or less the same products, same way of assessing risks and same way of approaching customers
- Organizations that have taken the risk and approached this customer segment have shown that insurance is both needed and possible

Why micro insurance?

- 30% of the total labour force is engaged in agri industry, which is prone to high risk.
- 70% of Sri Lankan businesses are small industries and are linked to the lowest levels of the value chains. They have very little risk management capacities. Today the markets being largely interconnected, a sudden market shock, environmental catastrophe or epidemic can affect these people heavily and can create social unrest, and business disruption.
- Population is aging, and the out migration is quite high, causing the disintegration of traditional informal social protection systems.
- There is a clear need for better risk management mechanisms for the community

Micro insurance customer is not your normal customer.

- Low income groups with vulnerable livelihoods
- They have no money to pay big risk premiums
- Overwhelming majority think insurance will not help them
- Their problems are too present and their means are so limited so they spend their money on more immediate problems
- It is not easy to convince them to insure on future risks they may or may not face
- Lot of education is needed to convince them of the benefit of insurance
- Lot of simplification is needed in products
- This involves additional costs.
- **Micro insurance is understood as a CSR project.**

What is the business case?

- Uncertainty of market and livelihoods is expanding
- Access to the rural population have been made easy through technology and other infrastructure expansion
- People are not so poor anymore and the knowledge about the risks they face in life are not unknown
- There is a high youth segment engaged in SME sector. If they are supported with risk management the economy will groom and so will the industry
- 70% of the population is untapped

Insurance is a relationship. Not a one time transaction.

- Relationship banking is a concept for mostly elite segments of the populations. Insurance is also available mainly for those segments.
- But if we agree that our economy has to be developed and for that people have to take risks , the service structures and regulators need to take care of our entrepreneurs, and workforce.
- Yet only corporate risk takers are taken care of by most service providers.
- **Regulators comment**



SANASA

**A Promise beyond
Rupees and cents**



Objectives of SICL

- 01. To popularize insurance among the low income householders.**
- 02. To introduce simple and affordable insurance products for benefit of the poor.**
- 03. To design less expensive insurance schemes which provide benefits promptly.**
- 04. To increase learning and dissemination of best practice for delivering micro insurance services to the low income families.**
- 05. To explore ways and means to strengthen capital reserves so as to ensure solvency and sustainability**



Questions to ask before tapping the untapped.

- Who are the customers?
- What is their underlying needs from the insurance industry?
- What are the challenges when addressing these needs?
- How do the insurance companies meet these challenges successfully and serve customers?
- How will customers overcome their challenges and gain from insurance industry?

Questions a service provider needs to ask before entering the market.

- Does your company recognize microinsurance a CSR or as a business?
- Do you have your business model? And do you understand the customer?
- Do you understand Micro insurance as tool to extract money from the poor and make them more vulnerable or do you recognize this as a solution that enables to unleash the potential of our community and make us all prosperous?

Key to success

- KYC
- Business Relationships lateral and horizontal
- Easily understood and accessible products
- Reliability of the service – selecting brands that they trust, or a be a brand that people trust
- Training – FIX your staff before fixing the customer.