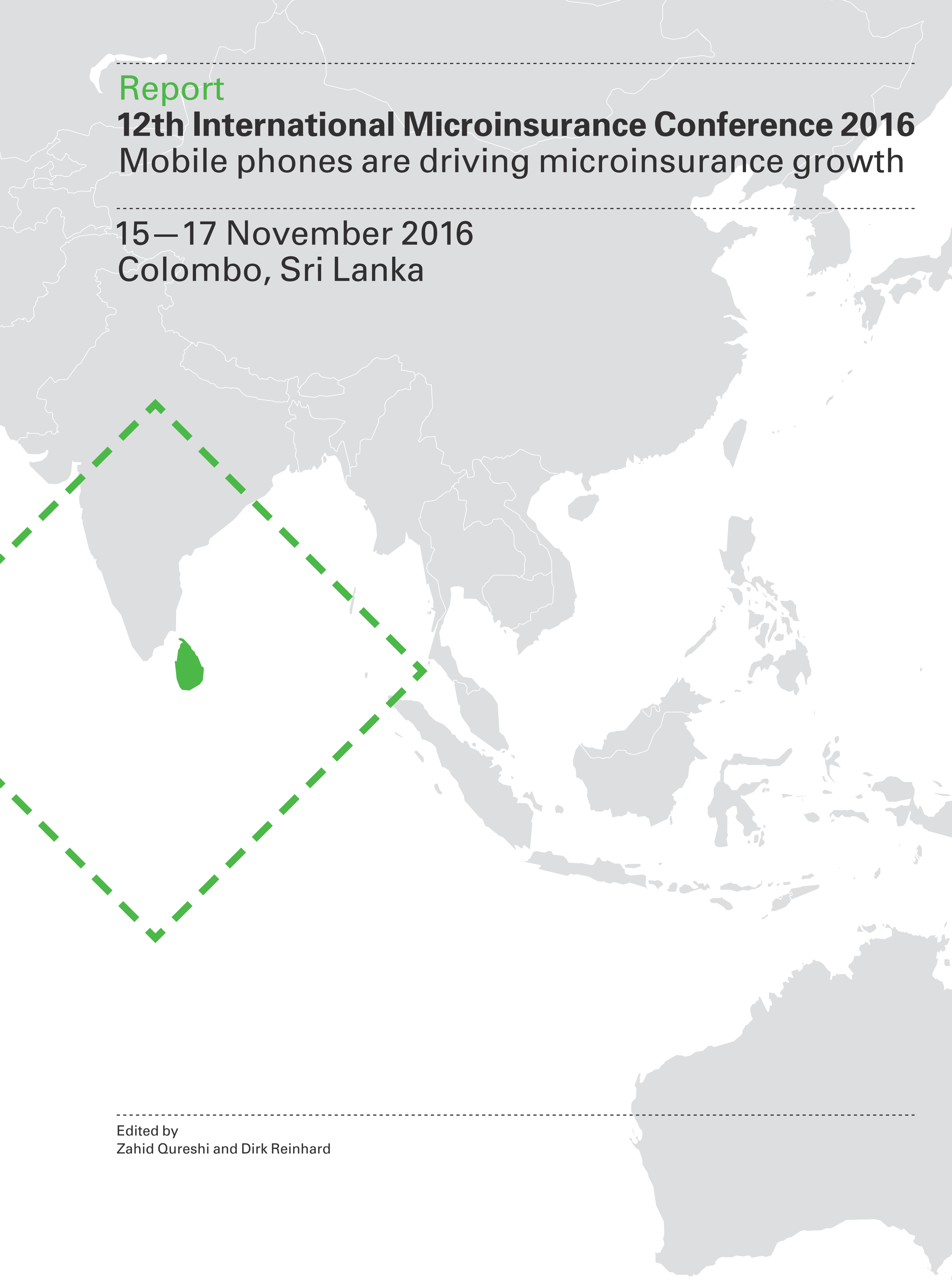
Report

12th International Microinsurance Conference 2016

Mobile phones are driving microinsurance growth

15—17 November 2016
Colombo, Sri Lanka



Edited by
Zahid Qureshi and Dirk Reinhard

Foreword

The Insurance Association of Sri Lanka was extremely pleased and privileged to host the 12th International Microinsurance Conference in partnership with the Munich Re Foundation and Microinsurance Network.

Since its inception the conference has gained a reputation for creating an ideal forum for thought leaders, practitioners and other stakeholders to share best practices towards ensuring that the the benefits of insurance are available to segments of society that need it most.

The conference in Sri Lanka was well attended by local as well as international delegates and this publication reflects the high quality of content and discussions from all presenters and panelists.

An event of this magnitude cannot be successfully hosted without the support and guidance of many individuals and organisations working as one team.

While truly appreciating the efforts of all concerned, special mention must be made of Dirk Reinhard, Vice Chairman of the Munich Re Foundation, Jagath Alwis, the Chairman of the organising committee and his team for their meticulous organising and attention to detail.

We also wish to place on record our appreciation to Mrs. Indrani Sugathadasa, Chairperson of the Insurance Board of Sri Lanka (IBSL) and Mrs. Damayanthi Fernando, Director General of the IBSL for their support and encouragement to host such a prestigious international event.

The IBSL annual report 2015 has highlighted the "development of a dedicated microinsurance regulatory framework" as a future initiative and we sincerely hope the deliberations and content shared at this conference would be useful in this regard.

We also appreciate Ravi Karunanayake, Minister of Finance who graced the opening ceremony despite his busy schedule for setting the tone regarding the importance of this event.

Insurance plays an important role in every economy and society and conferences of this nature serve to highlight the good work up to date but also the fact that more remains to be done.

We wish the organisers of the 13th Microinsurance Conference in Peru every success and wish that the Munich Re Foundation and the Microinsurance Network continue to ensure that barriers and bottlenecks are systematically removed so that everyone can enjoy the benefits of insurance in the years to come.

Dirk Pereira, President, Insurance Association of Sri Lanka

1 — Dirk Pereira, President, Insurance Association of Sri Lanka, Sri Lanka.

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Acknowledgements

The 12th International Microinsurance Conference was a very special milestone in the history of the event. For the first time, the insurance association of the hosting country took over the full responsibility for the logistics of the event in their country. The Insurance Association of Sri Lanka (IASL) was a wonderful host of this event. I would especially like to thank Dirk Pereira, President, Insurance Association of Sri Lanka, and Jagath Alwis, Chairman of IASL's Organizing Committee, and all the members of the Organizing Committee as well as Indrani Sugathadasa, Chairperson, Insurance Board of Sri Lanka (IBSL), and Damayanthi Fernando, Director General of IBSL, for their support and the outstanding organisation of the 12th International Microinsurance Conference. Without this local expertise and support, the conference would simply not have been possible or successful.

I would also like to thank the content partners and supporters of the 12th International Microinsurance Conference: the CEAR, A2ii, GIZ on behalf of BMZ, Cenfri, ILO's Impact Insurance Facility, IAA, IIS, the World Bank, J.B. Boda, the Sri Lankan Convention Bureau and Informatics.

The 12th International Microinsurance Conference brought together 430 participants from over 47 countries. My thanks go to them for sharing their knowledge and experience. On behalf of the organisers I would also like to thank the members of the Conference Steering Committee. This event would not have been possible without its work in identifying suitable speakers and presentations from the large number of applications submitted for the conference.

I would moreover like to make special mention of the team of rapporteurs – Marie-Christine Bélanger, Christopher Knudson, Mayu Tanaka and Dominik Wehgartner led by Zahid Qureshi – that volunteered and summarised the key messages and lessons from the various sessions of the 2016 conference, as well as the many authors who contributed to the report.

I would furthermore like to extend my thanks to the Munich Re Foundation conference team – Thomas Loster, Petra Hinteramskogler, Torsten Kraus, Julia Martinez - as well as the staff of the local event management agency. A special "thank you" goes to Michael McCord, outgoing Chairman of the Board of the Microinsurance Network, and the entire team of the Network's secretariat for its great support. At the same time, I would like to welcome Doubell Chamberlain as new Chairman. Doubell has supported the International Microinsurance Conference since he founded the Cenfri in 2008 and he is also a member of the Conference Steering Committee.

The 2017 International Microinsurance Conference will take place in Peru. That country has had a strong interest in Inclusive Insurance for the Mass Market for many years. Together with the Insurance Association of Peru (APESEG) we are looking forward to the next event that will take place from 7–9 November in Lima.

Dirk Reinhard, Vice-Chairman, Munich Re Foundation, Germany, Chairman of the Conference Steering Committee

Munich, March 2017

This report is the summary of the 12th International Microinsurance Conference that took place in Colombo, Sri Lanka on 15–17 November 2016

As the style of the sessions varied, so too the style of the individual summaries. Readers, authors or organisers may not share all opinions expressed or agree with the recommendations given. These, however, reflect the rich diversity of the discussions.

2 — Dirk Reinhard, Vice-Chairman, Munich Re Foundation, Germany, Chairman of the Conference Steering Committee

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Contents

Conference documents and presentations are available online at: www.microinsuranceconference.org

Links:

Munich Re Foundation
www.munichre-foundation.org

Microinsurance Network
www.microinsurancenetwork.org

Insurance Association of Sri Lanka (IASL)
www.iasl.lk

Agenda

14 November 2016

CEAR Academic Pre-Conference in Microinsurance

Understanding risk management choices of the poor

The Center for the Economic Analysis of Risk organised an academic pre-conference in conjunction with the 12th International Microinsurance Conference. The pre-conference invited researchers to present findings and participate in panels on research methods to understand risk management choices of the poor.

Jia Min Ng
CEAR Scholar, CEAR – Georgia State University, United States

Julian Hochscherf
University of Hohenheim, Germany

Kanchana Wickramasinghe
Research Economist, Institute of Policy Studies, Sri Lanka

Keynote

Michael Carter
Professor of Agricultural and Resource Economics, UC Davis, United States

Facilitator
Glenn Harrison
C.V. Starr Chair of Risk Management & Insurance Director, Center for the Economic Analysis of Risk (CEAR) – Georgia State University, United States

ILO's Microinsurance Training 1

Managing microinsurance distribution

Distribution is a particularly important question for those looking to deliver insurance to low-income people. With low margins, insurers need to find low-cost channels that can reach clients in large numbers. These challenges mean that insurers need to think differently about microinsurance distribution. This session helped equip insurers with a good understanding of the wide range of distribution possibilities, and provide them with tools and knowledge needed to establish and manage a distribution strategy.

ILO's Microinsurance Training 2

Building sustainable agriculture insurance

Agriculture insurance is a key tool in assisting farmers, herders, and governments to lessen the negative financial impact of adverse natural events and move out of poverty. However, despite its potential for providing rural households with benefits both on the protective and productive side, offering agriculture insurance in a sustainable way continues to be a challenge, with many pilot schemes unable to scale up. This seminar helped insurance practitioners and other players new to agriculture insurance to gain insights into farmers' needs and behaviour, and how these can be translated into quality products and relevant processes. The seminar also examined the requirements needed to make the insurance value chain efficient for scaling up, and look into emerging models and good practices in agriculture insurance.

CEAR academic conference seminar

By Jia Min Ng

The Center for the Economic Analysis of Risk (CEAR) organised an academic pre-conference seminar in conjunction with the 12th International Microinsurance Conference. The pre-conference attracted researchers to present major findings and participated in panels on recent developments in research methods to understand risk management choices of the poor.

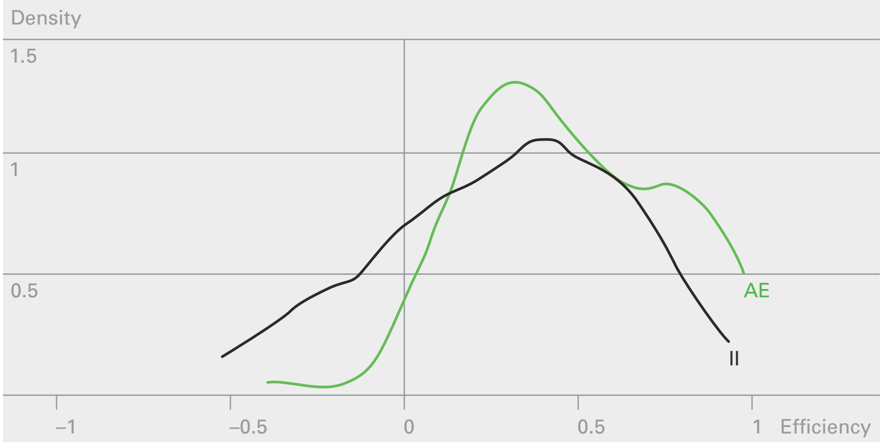
This pre-conference seminar discussed current academic methods used to study microinsurance demand. Topics included exploring the relationship between understanding of compound risks, income heterogeneity, and alternative risk management strategies such as reducing consumption or selling assets on index insurance, as well as the relationship between health insurance and stress levels. There was also an assessment of Sri Lanka's experience with crop insurance.

Evaluating the welfare of index insurance

One can use an economic point of view to measure individuals' welfare benefits from insurance by estimating their risk preferences to evaluate their consumer surplus. Not only can the "correct" insurance choice be predicted this way, but the welfare benefits from the actual insurance choice can also be quantified. Index insurance actually widens the range of possible outcomes and increases wealth variability, so it is not straightforward how risk attitudes impact demand.

The lab experiment compares the welfare benefits of insurance choices that protect against compound risks to the welfare benefits of insurance choices that protect against actuarially equivalent simple risks. If subjects are able to interpret the compound risks in the same way as the actuarially equivalent risks, they adhere to the Reduction of Compound Lotteries (ROCL) axiom.

Figure 1
Comparison of efficiency distribution for II and AE treatments
II treatment (N=55) against AE treatments (N=57)
p-values test hypothesis that treatment impacts efficiency distribution



AE mean = 0.46
II mean = 0.28
t-test *p*-value < 0.001
Wilcoxon *p*-value < 0.001
K–S *p*-value < 0.001

Source: Harrison, Glenn. Presentation "Evaluating the welfare of index insurance". 12th International Microinsurance Conference 2016.

Box 1
ROCL axiom

This axiom states that a decision-maker is indifferent between a two-stage compound lottery and the actuarially equivalent simple lottery in which the probabilities of the two stages of the compound lottery have been multiplied out.

The experiment shows that **take-up is an unreliable metric for the welfare benefits of insurance.** The compound nature of basis risk – the risk that pay-outs will not equal actual losses – has an impact on index insurance purchase choices. Figure 1 shows that the efficiency of insurance choices is lower when basis risk is presented as a compound lottery (II) than when it is presented as its actuarially equivalent simple lottery (AE). While choices from subjects in the lab show no significant effect of correlation or premiums on welfare, ROCL literacy is found to significantly improve welfare.

After the drought: The impact of microinsurance on consumption smoothing and asset protection

Households in developing rural economies without access to formal insurance generally use two strategies to manage their risk – reducing assets to smooth their consumption, and/or reducing consumption to protect their assets. This randomized control trial[1] (RCT) was conducted on index-based livestock insurance in northern Kenya in 2009. Since there was a drought in 2010, they were able to test for the ex post impact of insurance on asset reduction and consumption smoothing.

1
RCT – A study where subjects are randomly assigned to treatments and control. Checks are usually done to ensure that the subjects between the groups are comparable.

The results show that **households above a certain asset threshold are more likely to consumption-smooth to manage their risk, and having insurance helps by reducing asset sales by 71 to 96 %.** Households below that asset threshold, however, are more likely to asset-smooth, and insurance helps by reducing meal reductions by 31 to 49 %.

By introducing an alternative coping strategy, insurance can have a further dynamic impact, such as from a reduction of the impact of an asset market collapse in the event of a drought. Being able to measure the impact of insurance on subgroups of households can help develop different social protection strategies for different groups of people, such as vertical scaling of pay-outs.

Health insurance reduces stress: Evidence from a randomised experiment in Kenya

The authors conducted an RCT in the Kamukunji area in Nairobi, Kenya, to test the effects of health insurance on stress and cortisol levels by using household surveys and cortisol-level measurements. The first of three treatment groups was given a cash transfer that covered the insurance premium, the second was given the same cash transfer but did not have to purchase insurance, and the third was a control group.

Although cortisol levels are considered to be an objective proxy for depression, they are known to be confounded by factors such as diet, sleep and physical exertion. Such factors were controlled for by dummy variables.

The study found that **having insurance does decrease self-reported stress** and measured cortisol levels, with a larger effect on individuals with children and individuals with higher levels of depression. As there are no significant effects of insurance on health status or healthcare usage, the suggestion is that the impact of insurance on “well-being” is from an ex ante “peace of mind” effect that can have both physical health and economic implications.

Protecting farmers from climate-induced risks: An assessment of crop insurance in Sri Lanka

The purpose of this study was to assess risk management strategies of dry zone farmers in relation to existing climate/crop insurance. A survey was conducted in 2015 among 750 farmers in the Anuradhapura district in the Dry Zone of Sri Lanka.

According to the farmers, their main problem is that their crops are destroyed before harvest (see Figure 2). They are also concerned about post-harvest losses, price risks and inabilities to harvest. There are also non-agricultural problems, such as difficulties repaying loans and transport issues. There was a large variation of perceived risk sources which were mainly related to climate and wild elephants.

The study found that **crop insurance is not a major strategy for farmers, as they think small-scale farmers have no need for insurance. They do not understand how it works and do not trust the insurance providers.**

Income heterogeneity and index insurance demand

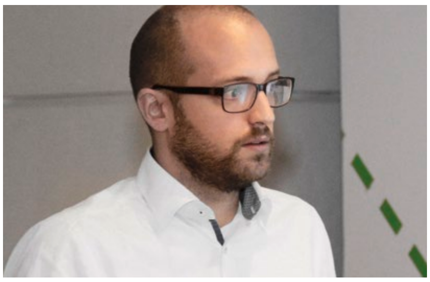
Agricultural households are exposed to weather-induced income risk. One way households can manage weather risk is to earn wages from a non-agricultural source, instead of farm or agricultural wage income. The study in this presentation shows that this income heterogeneity, which varies households’ exposure to weather risk, is negatively correlated with drought insurance demand.

Figure 2
Problems
Percentage of respondent farmers (rounded)

Source: Wickramasinghe, Kanchana. Presentation “Demand for climate insurance by Dry Zone farmers in Sri Lanka”. 12th International Microinsurance Conference 2016.

3 — Julian Hochscherf, University of Hohenheim, Germany.

4 — Jia Min Ng, CEAR Scholar, CEAR – Georgia State University, United States.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CEAR academic conference seminar

The study was based on surveys conducted in 2006 of 1,047 households in 37 villages in Andhra Pradesh who were offered drought insurance. Using a linear probability model, basis risk was proxied by distance from a weather station. Trust was proxied by households having any other insurance contracts or having received pay-outs in previous years.

Liquidity constraints were controlled for by randomly assigned cash reward. The results showed that although family size had an insignificant effect, irrigation and savings were found to be substitutes for insurance.

Since expenditures on food do not vary with income heterogeneity, the suggestion is that food-price volatility may be considered as an index, rather than rainfall variability when designing an index insurance product.

A conversation with Professor Michael Carter

The session concluded in a discussion with Professor Carter, keynote speaker of the pre-conference seminar, about lessons learnt from his research in microinsurance. The first topic was index insurance demand. He found that although area-yield contracts **were designed for the average yield of an area to be the payout trigger, it did not appeal to local farmers since they did not believe that area yields were highly correlated. Farmers wanted to scale the insurance trigger down to the village level,** but this would introduce moral hazard and high costs. He also found that there was a higher demand for insurance with two payout triggers instead of one, and that research into probabilistic insurance showed that a high premium discount was needed to offset a small risk of default.

Professor Carter commented that **interlinking index insurance and credit contracts can result in increased income.** As a result, such a product could be easier to sell to the poor than just insurance, which actually slightly reduces expected income in order to reduce income variability. The impact of such a collateral on risk might boost the escape from poverty traps by encouraging the poor to spend on higher technology.

Lessons learnt

- Risk attitude towards basis risk are important when considering index insurance benefits.
- Formal insurance can benefit insureds by being a substitute for costly risk management strategies such as reducing assets and reducing consumption. It can also reduce stress and cortisol levels.
- Rainfall index insurance demand decreases with income heterogeneity, but there is no significant correlation between income heterogeneity and food expenditures. Using food prices as an index could increase index insurance demand.
- Crop insurance is not a major strategy for farmers in the dry areas in Sri Lanka as they do not trust the insurance providers and think it is not suitable for small farmers.


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5 — Kanchana Wickramasinghe, Research Economist, Institute of Policy Studies, Sri Lanka.

6 — Michael Carter, Professor of Agricultural and Resource Economics, UC Davis, United States, keynote speaker of the seminar.

7 — Glenn Harrison, C.V. Starr Chair, Robinson College of Business, CEAR/GSU, United States.

8 — Justin Abraham, Research Specialist in the Department of Psychology, Princeton University, United States

Agenda

15 November 2016
Morning sessions

7th Consultative Forum

The role of mutuals, cooperatives and community-based organisations (MCCOs) in inclusive insurance markets
Hosted by the International Association of Insurance Supervisors, the Microinsurance Network and the Access to Insurance Initiative

The half-day Consultative Forum took place alongside the 12th International Microinsurance Conference and focused on the role of MCCOs in providing insurance access to low-income populations in the Asian Region and the related regulatory challenges and advances. The objective of the Consultative Forum is to bring about a dialogue between supervisors and the industry; such a dialogue is critical in fostering knowledge and sound policymaking in the field of inclusive insurance.

The ILO's Impact Insurance Forum

Becoming a digital insurer
Hosted by the ILO's Impact Insurance Facility

The ILO's Impact Insurance Forum provided an interactive and open environment for discussing lessons learnt and exchanging experiences on forefront issues confronting practitioners working in inclusive insurance. This year's forum focused on the topic "Becoming a digital insurer". It explored the various digital tools and technology that can be used to improve insurance solutions for emerging markets. It will focus on how to improve customer experience, automate business processes and use data better so that insurance providers can make the most of their investments to achieve high uptake and sustained customer use. The Forum also explored what insurance practitioners can do to start the digital journey and to ensure that customer risks are mitigated along the process.

7th Consultative Forum – The role of mutuals, cooperatives and community-based organisations in inclusive insurance markets

By Anke Green and Martina Wiedmaier-Pfister

The International Association of Insurance Supervisors (IAIS), the Microinsurance Network and the Access to Insurance Initiative (A2ii) hosted the 7th Consultative Forum. The event focused on the role of MCCOs in providing insurance access to low-income populations in the Asian region and the related regulatory challenges and advances. The objective of the Consultative Forum is to bring about dialogue between supervisors and the industry which is critical in fostering knowledge and sound policymaking in the field of inclusive insurance.

Mutuals, cooperatives and community-based organisations (MCCOs) comprise a diverse range of entities[2] that share a number of characteristics. They are member-owned, democratic, operate on the solidarity principle and created to serve a defined group and purpose. Unlike the not-for-profit sector, they aim to make a reasonable profit to enable the business to grow. Any surplus, beyond meeting regulatory requirements for reserves and taxes, may be distributed to members as a patronage dividend. They can range from primary village-based solidarity groups to large, licensed national organisations that are second- or third-tier cooperatives but operate like commercial insurers.

Relevance and functions

Mutuals have experienced a revival since the financial crisis of 2008–2009. Substantial growth has been recorded in emerging markets. Mutual insurers from advanced economies have also expanded into developing markets, either organically or through acquisitions (see Figure 3).

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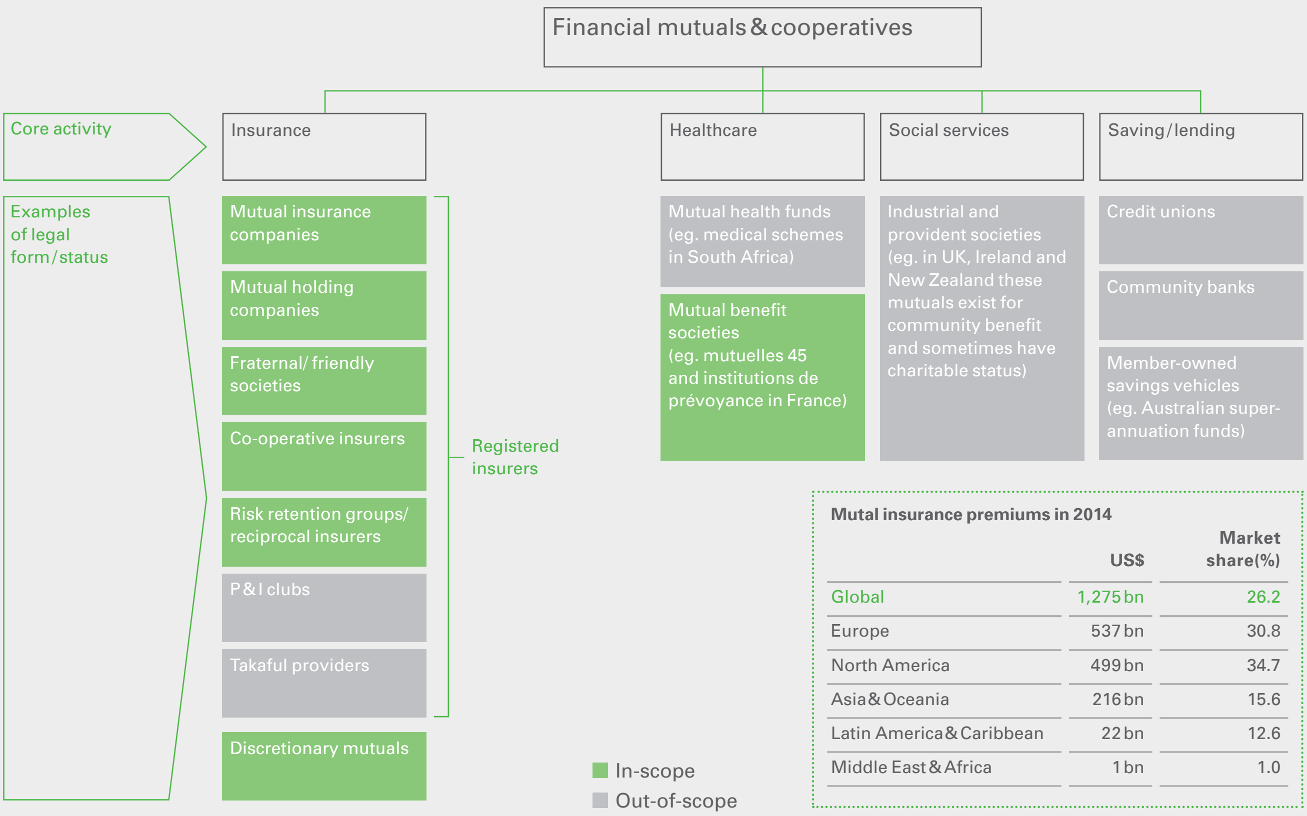
As noted by the IAIS, a diverse range of institutions are commonly described as MCCOs, including mutuals, mutual benefit organisations, cooperatives, friendly societies, burial societies, fraternal societies, community-based organisations, risk pooling organisations and self-insuring schemes.

Figure 3
In-scope/out-of-scope mutuals in this report



Mutal insurance premiums in 2014

	US$	Market share(%)
Global	1,275 bn	26.2
Europe	537 bn	30.8
North America	499 bn	34.7
Asia & Oceania	216 bn	15.6
Latin America & Caribbean	22 bn	12.6
Middle East & Africa	1 bn	1.0

Source: Swiss Re Economic Research & Consulting

MCCOs offer a wide variety of services. For many MCCOs, insurance is only secondary to their main function. They may self-insure or act as group policyholder or distribution channel. However, others hold a licence and formally underwrite insurance. When they operate as group policyholders or distribution channels they may engage in motivating enrolment, financial education and premium collection. They may even support claims assessment. Since they do not aim at maximising profit, MCCOs often holistically support the resilience of their members and provide education, loss prevention and access to health facilities as a means of risk reduction.

MCCOs fill a gap for low-income and rural populations who otherwise might not have access to insurance. MCCOs have strong ties to local communities and are seen by their members as a safe and trusted place. They can provide relief when other options are unavailable. This is illustrated by the fast response of mutual benefit associations (MBAs) that provided support in the Philippines in the aftermath of typhoon Haiyan.

Federations and associations of MCCOs play a key role in improving the professionalism of MCCOs by providing opportunities for organisational support, peer learning and education on topics such as codes of conduct. In some countries, MCCOs have also joined forces to set up their own mutual reinsurer.

Digital technologies have made the emergence of new 'peer-to-peer' insurers possible. These companies try to leverage the internet, mobile technology and social media to bring people together into co-insurance pools for small-scale exposures. The companies are service providers rather than risk carriers, i.e., they share rather than transfer risk. Peer-to-peer insurers can cover an insurable need that may otherwise not be covered by the market and may thus be particularly useful to those excluded from conventional insurance.

"Mutuals are different. Not bad, not better, just different."

Michael Kofi Andoh,
National Insurance Commission, Ghana

"It has been said that insurance brings out the worst side of people – can mutuals crack this?"

Peter Wrede, World Bank, USA

"There is a huge population segment that is left out by commercial insurers."

Kalyanasundaram Muthukumarasamy,
International Network for Alternative Financial Institutions (INAFI), India

"Since the financial crisis, mutuals have been experiencing a revival."

Jonathan Anchen, Swiss Re, Switzerland

9 — Hannah Grant, Head of the Secretariat, Access to Insurance Initiative, Switzerland.

10 — Peter van den Broeke, Senior Policy Advisor, International Association of Insurance Supervisors (IAIS), Switzerland.

11 — Jonathan Anchen, Senior Vice President, Economic Research & Consulting, Swiss Re, Switzerland.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7th Consultative Forum – The role of mutuals, cooperatives and community-based organisations in inclusive insurance markets

Key challenges

Digital technologies are changing the way MCCOs operate, including in communication with members and in distribution. As MCCOs grow, they may experience difficulties in staying connected to their members. Social media and online chats can help MCCOs maintain the feeling of a close relationship with their members. Some regions have adopted digital distribution channels more quickly than others because of varying consumer preferences. In the Americas and parts of Asia, consumers still tend to prefer traditional distribution channels.

Experience with dedicated regulatory frameworks for MCCOs is limited. In the Philippines, a dedicated regulation for one type of MCCO, the Microinsurance MBAs, has been key to their growth and market development. In other countries, cooperative-type or mutual insurers are treated the same as commercial insurers. Yet others only allow the form of a share company. Jurisdictions which are considering creating a new tier of mutual insurers include Ghana, Sri Lanka and India.

In many jurisdictions, unlicensed MCCOs have been offering insurance to their members. Informal provision is a concern from a consumer protection perspective, as the scheme may collapse and leave the members unprotected. Without an insurance licence, organisational challenges can arise as governance may be weak, and the MCCOs will be unable to access reinsurance.

Member orientation makes MCCOs more likely to limit premium increases and accept higher claims ratios than commercial insurers. The average loss ratio of mutuals is reported to be slightly higher than the overall industry experience. While smaller mutuals have been doing relatively well in terms of average loss ratios, they face higher operating costs, as they cannot reap the same economies of scale, which may threaten their long-term sustainability.

Specific features of MCCOs merit special treatment in a proportionate application of the Insurance Core Principles. A dedicated licensing regime may be required to ensure regulatory requirements which reflect MCCOs' unique structures, are proportionate to the risks they pose, and are sensitive to supervisors' limited resources. In the Philippines, Microinsurance MBAs are recognised in the insurance law by a special dispensation exempting them from certain requirements for other mutuals. However, at the same time, their operations are restricted to the life sector since the capital risks associated with the non-life sector are too high for their portfolios. The forthcoming IAIS Application Paper on MCCOs provides guidance on the issues that supervisors need to be aware of when regulating and supervising MCCOs.

From a regulatory perspective, the corporate governance of MCCOs may warrant special attention. Members of many MCCOs typically come together for reasons other than the provision of insurance (e.g., in the case of a farmers' cooperative or a workplace-based mutual). The members know all there is to know about their business but not about insurance. If board membership is restricted to members of the MCCO, the board may not reflect the full range of expertise needed to underwrite or even distribute insurance. In addition, the founders are often dominant in an MCCO and lack a natural successor or are reluctant to leave their posts.

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12 — Left to right: Peter Wrede, Senior Insurance Specialist, the World Bank, United States; Sabbir Patel, Senior Vice-President, Emerging Markets, International Cooperative and Mutual Insurance Federation (ICMIF), United Kingdom; Michael Kofi Andoh, National Insurance Commission, Ghana

New regulatory requirements with respect to governance and solvency may pose a challenge for MCCOs. MCCOs can only mobilise capital from their members and shareholding organisations, so increased capital requirements can be particularly challenging. In addition, tighter corporate governance requirements are a concern for smaller MCCOs operating in remoter areas, as they may not be able to attract qualified personnel or may not be able to afford them.

Different authorities with different areas of expertise may need to be involved in the formalisation and supervision of MCCOs, such as the insurance supervisor, the Cooperative Authority and the Ministry of Agriculture. They may have misaligned interests or lack capacities to engage in insurance or may not be willing to accept the lead of the insurance supervisor.

Key takeaways for action

For supervisors and policymakers

- Understand the comparative advantages of MCCOs (including their broad outreach) as a complement to the commercial insurance offerings, and identify the potential opportunities and risks associated with them.
- Create an enabling regulatory environment, adopting a proportionate approach to the regulation and supervision of MCCOs.
- Reach out to and cooperate with other relevant authorities in the regulation and supervision of MCCOs to exchange experiences, avoid gaps and duplication, and agree on the path forward.
- To stimulate innovation, consider a regulatory sandbox approach aiming to create a ”safe space” in which businesses can test their products, services, business models and delivery mechanisms without immediately incurring all the normal regulatory consequences of their activities.

For MCCOs

- Engage with the insurance supervisor from the outset.
- Ensure that at least some members of the board have an insurance background and the expertise needed to underwrite or distribute insurance.
- Join or form federations or associations of MCCOs as these provide opportunities for peer learning, organisational support or even reinsurance.
- Follow digital innovations and try to leverage them in insurance distribution, operations, and in building close relationships with consumers.


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13 — Left to right: Kalyanasundaram Muthukumarasamy, CEO, International Network for Alternative Financial Institutions (INAFI), India; Fermin Gonzales, CEO, Climbs Life and General Insurance Cooperative, the Philippines.

14 — Arup Chatterjee, Principal Financial Sector Specialist, Asian Development Bank, Philippines, moderating the regulatory debate of the 7th Consultative Forum

15 — Left to right: Tang Loaec, Founder, P2P Protect, Hong Kong; Damayanthi Fernando, Director General, Insurance Board of Sri Lanka, Sri Lanka; Vijay Kalavakonda, Global Product Lead, International Finance Corporation, Indonesia

ILO's Impact Insurance Forum

By Camyla Batista Guimarães Fonseca

Since 2008, the ILO's Impact Insurance Facility has been organising a highly interactive knowledge exchange forum, bringing together practitioners to share their experiences and reflect on lessons learnt on key topics in inclusive insurance. Since 2014, the forum has been a pre-conference session to the International Microinsurance Conference. The 2016 forum focused on the theme "Becoming a digital insurer". It explored what insurers can do to start their digital journey and to ensure that customer risks are mitigated along the process. Particular emphasis was put on how to use digital tools to improve customer experience, automate business processes and use data better to improve decision-making and achieve higher uptake and sustained customer use.

Plenary discussion: Starting the digital journey – the cultural shift

New digital tools require an adapted corporate culture and organisational structure. It is important, therefore, to understand the mindset of the organisations that have already embarked on a digital journey.

Insurance companies that do not go digital will not stay in the market much longer. Customer expectations have changed, and going digital is a need rather than a choice. Insurers need to find ways to adapt to this new reality: partnering with organisations that have digital know-how and can help them through this process is one alternative.

A case in point is Kifiya, whose mission is to improve the lives of Ethiopians by making insurance transactions simple, affordable and secure, which it believes cannot happen without digital tools. Kifiya provides product and service development, a cloud microinsurance services platform and digital delivery channels. The idea is to use digital tools to develop relevant products, manage processes efficiently and distribute products in an accessible way.

Box 2
Lehulu – all services for everyone

Kifiya is a digital service provider in Ethiopia leveraging technology to enable and provide electronic, branchless banking and mobile money services as a means to drive financial inclusion.

It has developed three separate technology platforms: single-window service delivery, mobile financial services, and mobile value-added services. Each can be used on its own or, for synergy, together with the other two. Customers can transfer funds from their branchless bank accounts, and use the mobile money service to an agent who can give them a mobile value-added service such as electronic airtime and insurance.

In partnership with government, Kifiya has set up 34 centres called Lehulu (meaning "for everyone" and "for all services"), initially enabling bill payment for three utilities: water, electricity and telephone – a step towards a sustainable financial ecosystem with an infrastructure for multiple services.

The insurance market is being disrupted and it is best if insurers themselves lead this change. If, in the past, insurance was about just being a risk-carrier, nowadays insurers need to anticipate the risk and invest in prevention strategies as a way to avoiding having clients go through the same traumatic experience more than once.

Three breakout parallel sessions on customer-centricity, business process and data analytics followed the plenary.

Digital tools for customer-centricity

This parallel session started with a review of how APA Insurance and Inclusivity Solutions used digital tools for customer-centricity. The audience was then divided into three groups, each focusing on one of the following issues:

— Using digital tools to improve product design;
— Using digitisation to improve the customer journey; and
— Mitigating new consumer risks.

Tea industry value chain, APA

People insured
Tea estate pickers, tea farmers

Insured risks
Hybrid: catastrophe (factories) and integrated savings

Premium range
To be determined

While digitising the customer journey can improve experience and increase simplicity, speed, flexibility, transparency and accessibility, it also creates new challenges that need to be taken into account, such as technology issues, lack of clarity and privacy, exclusion of individuals without access, and lack of trust. It is important, therefore, to **find a balance between low-touch and high-touch methods.** In-person marketing and sales can be used upfront, with a gradual shift towards digital methods occurring over time.

16 — Craig Churchill, Head, ILO's Impact Insurance Facility, Switzerland.

17 — Tang Loaec, Founder, P2P Protect, Hong Kong.


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Digital for business processes

The second session focused on using digital tools to improve business processes such as enrolment, customer education and claims assessment and validation.

Among the tools **HDFC ERGO** has used in India are hand-held tablets and PoS (Point of Sale) devices to capture data at the customer's location and transfer it in real time to the company's server via GPRS, and policy issuance through relevant applications. The company also uses technology in its health insurance product using a pre-underwritten product platform and enrolments through a mobile-phone-based software which assists in improving processing times and minimising errors.

In Sri Lanka **SANASA** uses technology for time and cost efficiencies in its weather-index insurance products. It relies on mobile applications for product and sales promotion. In addition, to get further buy-in from the community, a local weather station has been installed (financed and monitored by the community), and a website is being created to aggregate the data collected and make it available for consultations and queries.

In Cambodia, India, the Philippines, Thailand and Vietnam, the GIZ project called **RIICE** (Remote-sensing-based Information and Insurance for Crops in Emerging economies) uses satellites to enhance rice production monitoring and disaster-risk-transfer solutions. RIICE guarantees independent yield data sets, routine monitoring, efficient identification of homogeneous areas and highly localised adverse crop conditions – resulting in a higher level of detail and accuracy than current standards.

Digital data analytics and decision-making

The third session had an open discussion on how data can be used to facilitate better decision-making within organisations.

Insurers can make use of new data sources, such as call records, GIS and biometrics, to increase revenues, decrease costs and improve customer experience. Further, data analytics can be used to identify patterns in consumer behaviour, diagnose problems and then make predictive analysis.

MicroEnsure, which uses digital data in product design, partnership management and claims processing, avoids exclusions in products that may not be relevant for the context. When managing partners, it tracks KPIs (Key Performance Indicators) such as the level of effort required to manage a partner compared to revenue, and the links between engagement with partner staff and complaints or cancellations from clients. In claims processing, it monitors trends to understand why certain claims patterns may be occurring, rather than basing claims management targets on similar products available in the market.

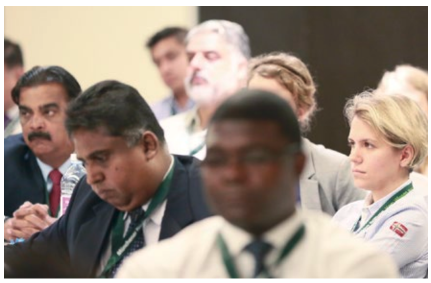
Lessons learnt

- The world is moving from data scarcity to data abundance. Insurers can make use of new data sources to increase revenues, decrease costs and improve customer experience.
- Digital technology has often been linked to increasing uptake and facilitating premium payments, but now it is shifting towards servicing customers, marketing, and improving distribution and claims processes.
- When going digital, partnerships are crucial to avoid reinventing the wheel and to leverage the know-how already available on the market.
- Find a balance between low-touch (digital) and high-touch (face-to-face) methods, especially when dealing with the low-income market.
- Opportunities to improve customer experience create new consumer risks. It is important to ensure that customers continue to be protected.

18 — The strong interest in the session clearly showed that digitalisation of the insurance industry was one of the most discussed topics at this year's conference.

19 — Balachandran M K, Assistant Vice President, HDFC ERGO, India.

20 — Saagar Khimasia, Business solution manager, APA Insurance; Kenya.



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There are many drivers of growth but "combining these pieces together is more important for growth than one piece alone".

Craig Churchill, Head,
ILO's Impact Insurance Facility,
Switzerland

21 — The conference brought together around 430 participants from 47 countries.

22 — Left to right: Fatou Assah, Senior Financial Specialist, World Bank, United States; Pranav Prashad, Technical Team Member, ILO's Impact Insurance Facility, Switzerland, during the jointly organized pre-conference training "Building sustainable agriculture".

23 — Active participation such as in the session on "Unlocking demand" is a key component of the International Microinsurance Conference.

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Agenda

15 November 2016
Afternoon sessions

Press conference

Hane van Oosterhout
Interim Executive Director, Microinsurance Network, Luxembourg

Jagath Alwis
Chairman of the Organizing Committee, Ceylinco Insurance, Sri Lanka

Dirk Pereira
President, Insurance Association of Sri Lanka, Sri Lanka

Dirk Reinhard
Vice-Chairman, Munich Re Foundation, Germany

Opening ceremony

Welcome remarks

Dirk Pereira
President, Insurance Association of Sri Lanka, Sri Lanka

Thomas Loster
Chairman, Munich Re Foundation, Germany

Michael McCord
Chairman of the Board, Microinsurance Network, Luxembourg

Keynote

Rohan Sachdev
Global Emerging Markets Insurance Leader, Ernst & Young, India

Speech of the Chief Guest

Ravi Karunanayake
Finance Minister, Sri Lanka

Plenary 1

Drivers of growth
Hosted by the Microinsurance Network

Camilo Casals
Business Development Advisor, RIMANSI, Philippines

Ashish Kumar Bhutani
Joint Secretary (Credit & Coop.), Ministry of Agriculture & Farmers Welfare, India

Quentin Gisserot
Project manager – emerging consumers, AXA, France

Chinthana Jayasekara
Head of Group Business Development / Group Business Operations, Dialog, Sri Lanka

Firdaus Djaelani
CEO, Financial Service Authority, Indonesia

Facilitator
Craig Churchill
Head, ILO's Impact Insurance Facility, Switzerland

Opening and welcoming remarks

The conference opened with some 430 participants from 47 countries. "This is a wide and distinguished group from around the world", said Dirk Pereira, president, Insurance Association of Sri Lanka (IASL). **"We appreciate the confidence shown by the Munich Re Foundation and the Microinsurance Network, in the industry in Sri Lanka to host the conference. Microinsurance goes to the very heart and purpose of our business. We need new ways to reach those who need insurance most. And this conference is an important stepping stone to accomplish what our regulator has set out to do."**

Thomas Loster, chairman of the Munich Re Foundation, thanked the IASL and acknowledged the contributions it has made since accepting the invitation to organise the conference, and said he was confident that Sri Lanka's insurance industry was on its way to a leading role in the global insurance market. **"We are devoted to aiding those most vulnerable, the poor",** Mr. Loster said. **"And insuring the poor against natural disasters from climate change is one of the matters for which this conference is striving to find solutions,"** he added, drawing participants' attention to the topic of Plenary 2.

Another core topic at the conference was raised by Michael McCord, chair of the Microinsurance Network, in his remarks: the use of technology to bring microinsurance to scale. **Mobile network operators (MNOs) provide microinsurance coverage to some 40 million people across Asia today,** he said, and the conference's focus on their approaches and the more technical aspects will help participants improve their outreach in microinsurance.

What is also needed are proportionate regulations that recognise the needs of low-income people, insurers who understand how to address the market, and distribution channels and organisations that have access to low-income people, Mr McCord added. **"We need the market to understand and trust microinsurance. We need actuaries to price products, we need technology, and we need associations."**

Indrani Sugathadesa, chairperson of the Insurance Board of Sri Lanka, said it was a great leap forward for the insurance community of Sri Lanka to host such a popular international event. **"Conditions and regulations differ from country to country, but we all have some common challenges. One of the most demanding is helping remove the income and protection gap between people.** Insurance used to be regarded for the well-to-do only. Increasingly it is now seen as essential for the not-so-well-to-do. Microinsurance is a key tool in addressing the protection gap."

24 — Left to right: Sri Lanka's Finance Minister Ravi Karunanayake; Indrani Sugathadasa, Chairperson, Insurance Board, Sri Lanka; Thomas Loster, Chairman, Munich Re Foundation, Germany.

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Keynote: Economic, technological and political / regulatory developments in the developing insurance markets

Takeaways from the speech by Rohan Sachdev, global emerging markets insurance leader, Ernst & Young, India.

- Global economic growth is expected to be slow but steady, despite headwinds of political adjustment and uncertainty in some major markets. As in recent years, emerging markets will be the growth engines.
- In the insurance sector, too, growth will be largely driven by emerging markets, where higher-than-average annual growth will continue to support insurance sales.
- These are good signs for microinsurance in developing markets, where urbanisation and improving prospects for the marginalised and low-income sectors will support growth – though there will be downward pressures on pricing, with increasing competition, and on investment income, with relatively low interest rates.
- Traditional players will face increasing challenges of the high cost of distribution and access, which tech-savvy micro-and-mass insurers are addressing successfully.
- Government involvement and supporting regulatory changes are opening new avenues (e.g., RSBY, debt insurance and fraud control in India, and fertilizer makers serving as platforms for weather insurance).
- However, digital technology will be the main driver of change. FinTech/InsureTech and the growing ease of data analysis as an underwriting and predictive tool are already changing mainstream insurance. They are also enabling mobile insurers to achieve scale rapidly and help control loss ratios and handle claims more cost-effectively.
- Cost control and value-for-money will continue to be the keys to success. The target market of microinsurance remains a challenge as well as an opportunity, as 30 to 50 % of people in developing countries are expected to stay low-income, while only 1.9 % of them have insurance.
- Natural and man-made catastrophes are expected to increase in frequency and intensity. Climate-change insurance is the line to watch.
- Agriculture and health microinsurance have a huge potential of more than 8 % in growth by 2020. New models, both national-ID-system-enabled and index-based, are breaking ground – but the focus needs to be on their sustainability.
- Technology is changing buyer behaviour, too, and will drive considerable regulatory adjustment to new ways. Increasingly, innovative players will be capitalising on a microinsurance market in flux.

25 — Dirk Pereira, President, Insurance Association of Sri Lanka, lighting the lamp to open the 12th International Microinsurance Conference.

26 — Jagath Alwis, Chairman of the Organizing Committee, IASL, Sri Lanka.

27 — Left to right: Rohan Sachdev, Global Emerging Markets Insurance Leader, Ernst & Young, India; Michael McCord, Chairman of the Board, Microinsurance Network, Luxembourg.

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Speech of the Chief Guest

Main points made in the address to delegates by the Minister of Finance of Sri Lanka, Ravi Karunanayaka, chief guest of the conference.

I commend the efforts and initiatives of the IASL, the Munich Re Foundation and the Microinsurance Network in holding such an important conference on microinsurance. I am pleased to note that sustainability has come into focus, which we took into account while drawing up the Sri Lankan national budget proposal this year. It is my fervent wish that the conference commencing today will bring in greater benefits for the industry and more opportunities for the beneficiaries, the lower-income citizens, thus making them inclusive. The professionalism of the organisers is clearly depicted by the objectives enumerated which will hopefully provide the correct foundation to ensure that the 12th Annual International Microinsurance Conference held during the next few days in Sri Lanka will be the most valuable we've held in the recent years.

As I said in my budget speech, we will formulate a cohesive policy to facilitate an equitable and inclusive level of social development in Sri Lanka. Social inclusion is a matter of prime concern and the participation of the entire population in the journey for development is a noble objective, to become "a society for all."

Accordingly, "Accelerating Growth with Social Inclusion" forms the broader theme of the 2017 National Budget. In "Accelerating Growth with Social Inclusion" we must address issues relating to the eradication of the remaining poverty clusters. To focus on this process, 2017 has already been declared as the year of "Poverty Alleviation."

In ensuring the success of such endeavours, we have to achieve an appreciable level of economic growth to facilitate pro-poor policies. As such, we endeavour to establish a strong economic foundation to achieve those goals and targets. It will be difficult to traverse the chosen path but we will lay the foundation for a better future which forms the basis for the 2017 National Budget.

Your conference themes are critically important to us in Sri Lanka. We look forward to learning from you at this conference, and the government is planning to invest in the sector. International institutions are locating in Sri Lanka and taking advantage of low taxes. Let me conclude with an offer: I invite all foreign commercial and microinsurance companies to place their head offices in Sri Lanka. No taxes will be charged!

28 — Sri Lanka's Finance Minister Ravi Karunanayake opened the conference.

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Inclusive InsureTech

By Peter Wrede

Peter Wrede is Senior Insurance Specialist at the World Bank and facilitated or spoke at a number of sessions of the 12th International Microinsurance Conference focusing on technology. This article provides an overview of InsureTech propositions and how they can help to overcome obstacles of inclusive insurance markets which was a key input to the sessions.

At its core, insurance is about transfer of information and money. Today, there is no fundamental reason why paper is necessary in this process, and why insurance could not be completely "de-materialised". Such de-materialisation would allow considerable automation of processes, lowering the direct cost of administering each policy and increasing the speed of procedures and interactions with the customer. Despite the potential for de-materialisation, insurance worldwide is still dominated by paper-based processes.

Manual processes based on paper have a welcome robustness, but imply some disadvantages. They are more costly than fully automated processes, and they are slower. They thereby constitute one reason why many people reject the use of insurance today even in mature markets. Millennials, for example, are accustomed to immediate transactions (often through their smartphones) and find the conventional process of obtaining insurance – filling forms, waiting for postal reply – tedious. And lower premiums would increase demand for insurance. This and other reasons have prompted a number of entrepreneurs to reinvent insurance with technology, a proposition often referred to as InsureTech. Instead of just upgrading computers or establishing an internet presence for insurers, InsureTech ventures tend to radically question the way insurance has been conducted since the 19th century.

InsureTech startups attracting multi-million dollar venture capital injections are predominantly found in – and focused on – developed insurance markets like North America and Europe. But the obstacles they aim to overcome show similarities to the obstacles that have excluded the majority of populations from insurance markets in developing countries. These obstacles include low and irregular incomes, lack of understanding of insurance, lack of trust in insurance companies, and unsuitable products, processes (especially distribution), and business models. In developing countries, microinsurance or inclusive insurance has worked to overcome these obstacles for several years, sometimes with clever use of technology that resulted in innovations not seen in mature insurance markets. But many hopeful microinsurance attempts have not succeeded, a frequent reason being that technology did not live up to expectations. With the substantially higher R&D budgets that InsureTech startups can attract in OECD countries, the likelihood of breakthrough innovations is significant, considering also that most large (re)insurance incumbents now foster InsureTech incubators themselves. The technological breakthroughs pursued have the potential to overcome obstacles to inclusive insurance also in less developed markets. InsureTech entrepreneurs should be aware of this challenge.

InsureTech propositions can be grouped into distinct clusters. Some, such as telematics and the internet of things, appear to be less immediately relevant to inclusive insurance in developing countries. The clusters that are more immediately relevant to this are

a. Peer-to-Peer insurance (P2P)
b. Blockchain (or distributed ledger) technologies
c. Concierge Distribution (including "robo-advice")
d. Insurance on Demand
e. Machine learning, artificial intelligence and big data
f. Wholehearted digitisation

Peer-to-Peer insurance harnesses technology to connect the insurance experience with its roots in organised mutual solidarity, and is sometimes referred to as "mutuals 2.0" and shares similarities with the Wakala model of Takaful. Help from friends and family is a common mechanism used by low income households in developing countries to cope with unexpected shocks, generally provided in a spontaneous way. More formalised arrangements of mutual help have evolved in many places, such as funeral societies, local health mutuals, and village based organisations, organised forms of reciprocity that are more predictably reliable. P2P transfers the concept of mutual solidarity to groups based on digital platforms. It thereby promises to bring trust back into insurance, overcoming the conflict of interest often perceived with for-profit insurance while reducing fraud and thereby premium, which is further reduced by the absence of conventional intermediaries and administrations (which allows better responsiveness and client-centricity) and promoted with enhanced transparency.

Blockchain or distributed ledger technology is a web-based innovation to create digital assets like money (Bitcoin), property titles, death certificates or insurance claim entitlements. It replaces trust in the conventional sense with a transparent fully auditable record of transactions, thus facilitating transactions between individuals who don't know or otherwise trust each other without the usual intermediaries (like central banks or insurance companies). This disintermediation offers to reduce cost. And since blockchain-based contracts are basically computer code, they can be programmed to auto-execute. For example, if blockchain-based index insurance is linked to the mechanisms that provide the index (satellites or automated weather stations), claims payments can be triggered automatically without human intervention.
An example triggering insurance payments when flights are cancelled already exists in China. This automation contributes to reduce cost, and blockchain also hopes to be efficient in detecting fraud for further cost reduction.

Concierge Distribution is the evolution of price comparison websites for insurance. It is provided by smartphone applications which not only offer to help buyers find the best price for the insurance they are looking for, but also to help them realise what insurance they are – or should – be looking for, often involving chatbots which support the customer in this needs assessment (hence the term "robo-advice"). Once the required insurance is identified and the user has compared conditions and cost, she may be able to access simplified enrolment and underwriting with insurers who cooperate with the app, because the required information already resides in the app. This allows to streamline what is often experienced as a cumbersome process especially by digital natives accustomed to immediate transactions and high convenience. Additional services offered by some apps include the possibility to import already existing insurance contracts for easy retrieval and administration (for example to optimise or check for duplications of cover), and to receive reminders for premium due dates. Some apps provide support when submitting claims, for example via chat and photographs. In health insurance, further service components can include the facilitation of doctors' appointments and prescription management. This is relevant for inclusive insurance because it brings down the cost of insurance via increased transparency and competition as well as the use of automated advice, it makes the entire insurance experience more consumer-centric and hassle-free, and it helps consumers meet insurers at eye level, increasing understanding and trust through empowerment.

Insurance on Demand makes it possible to conveniently switch insurance for particular items on and off as desired via smartphone apps. Harnessing digital payment systems and the ubiquity of smartphones with their cameras and geolocation, Insurance on Demand has brought the transaction cost down so much that the "sachet principle" finally works for insurance beyond simple travel accident covers. It has the potential o democratiae insurance just like pre-paid airtime scratch cards democratised mobile telephony.
But in addition to reducing the cost and teaching insurers the high-volume-low-margin business model that mobile network operators master, it also alleviates the decision burden for emerging customers, who will find it less intimidating to test their understanding of insurance if they are allowed to buy shorter cover durations.

Artificial intelligence, such as machine learning on big data, is contributing to overcome the shortage of conventional statistical data that has plagued e.g. health microinsurance. It is also detecting new patterns in the vast data trail that even people with low income are increasingly creating, and their potential applicability to insurance, for example when financial or mobile phone data allows to predict insurance fraud. But mining personal data also allows to tailor insurance offerings to ever smaller clusters of target clients, and ease enrolment and underwriting by using client information generated elsewhere. Artificial intelligence contributes to many other InsureTech innovations, for example through text-to-speech technology and when advice and customer needs assessment is done by interactive software instead of human intermediaries.
It can contribute to reduce cost and improve the experience of emerging insurance customers in many ways.

Wholehearted digitisation characterises the "digitally born insurer". That is the company that not only improves selected aspects of its business model and customer interaction with InsureTech use cases but is built entirely on latest digital technology, its entire architecture aiming for the greatest degree of de-materialisation and automation for the lowest possible operating cost and fastest response to clients in everything from insurance needs discovery to product development, (dynamic) pricing, enrolment, underwriting and claims management. One characteristic of such a company is the greatest possible interface flexibility in order to link seamlessly to the widest possible array of distribution partners. Such a company exists already in China, where it sold 5.8 billion policies in its first two years of operation. It cannot easily be replicated for more explicitly inclusive purposes, but offers inspiration to insurers who embrace microinsurance, mass market insurance or microinsurance in many aspects.

The various InsureTech propositions imply new risks in the mature insurance markets where they are emerging. Insurers, regulators and other stakeholders are just beginning to identify and understand them, and some innovations may be forced out of some jurisdictions – or fail altogether – because they cannot be reconciled with non-negotiable regulatory or societal values. Even in the presence of regulatory sandbox approaches, it will take time for new regulatory consensus to emerge and show which innovations will prove viable in which ways. The technological foundations of many new business models are not thoroughly tested either. But it is indisputable that mature insurance markets will see substantial change in coming years. While some of InsureTech-inspired innovation is finding its way to emerging markets or even originates there, dialogue and guidance could help to put innovation in the service of inclusive insurance more purposefully.

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29 — Peter Wrede, Senior Insurance Specialist, the World Bank, United States

Plenary 1

Drivers of growth

Hosted by the Microinsurance Network

Microinsurance can be viewed as a business and social enterprise aiming at protecting the poor while being sustainable financially. For both the social and business aspects, growth is an imperative: the more small-ticket policies the enterprise sells, the more poor people it helps to protect and the more aggregated and potentially sustainable the business. This plenary examined various drivers of growth, particularly in Asia, and how they can be deployed most effectively.

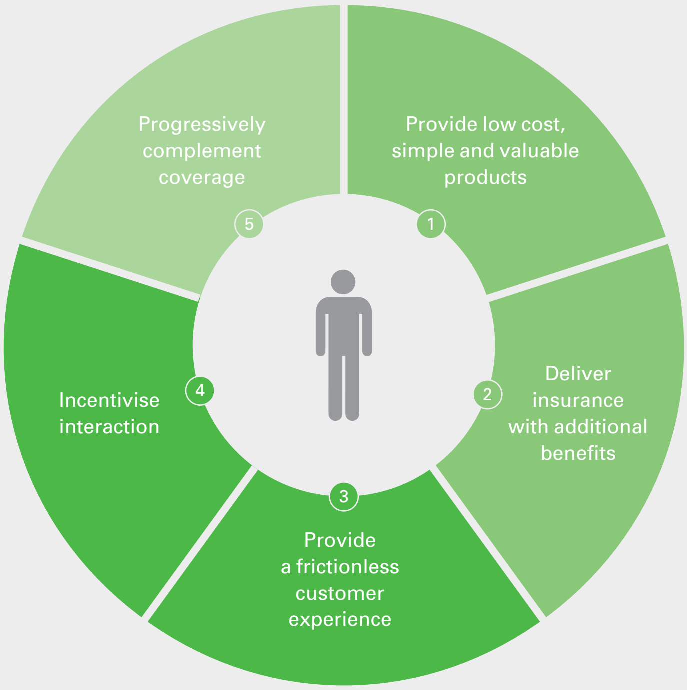
Microinsurance is mainly offered to low- or middle-income people in emerging countries. These customers are in high-risk jobs. Their income comes from various sources and is not fixed, varying with crop growth cycles, seasonal effects of weather and the frequency and severity of environmental hazards. Their coping mechanisms are mostly informal – drawing support from the family and community or counting on the sale of assets. The mechanisms rarely include a formal insurance product.

Product design

As a driver of microinsurance growth, product design has to take into account that 85 % of people in emerging markets have never had insurance and are mainly first-time buyers. To trust this formal mechanism they have to experience hassle-free insurance. Figure 4 presents the characteristics of a sound microinsurance product. It should notably be simple, available at a low cost and provide a frictionless experience to customers.

Such a customer-oriented approach to products is among reasons why microinsurance has grown dramatically around the world, notably in Asia (see Table 1). What are some other drivers of this growth and what will sustain this growth in the future?

Figure 4
Offering microinsurance
The five elements of the value proposition



Source: Quentin Gisserot. Presentation "Unlocking demand-delivering value to our customers". 12th International Microinsurance Conference 2016.

Table 1
Number of people insured by microinsurance (in millions).
The example of the Philippines, Indonesia and Sri Lanka

Country	2012	2013	2014	2015	2016
Philippines	19.9		24.8		
Indonesia	n.a.	5.80	8.8		22.8
Sri Lanka		0.35		1.46	

Source: Churchill, Craig. Presentation "Drivers of Growth". 12th International Microinsurance Conference 2016.

Government policies and regulations

In a survey conducted this year by the Microinsurance Network on understanding the drivers of growth in Asia, the development of appropriate government policies and regulations was seen as a driver of growth. Indeed, **to increase the supply of microinsurance products and encourage the development of such products, some countries have adapted their regulations to this distinct sector.** In Indonesia, changes were made to the regulatory framework to encourage insurers to deliver microinsurance. In the Philippines, the regulator proposed specific guidelines to develop and promote microinsurance.

Generally, appropriate and supportive government measures specify that:

- products developed must be simple, affordable and transparent;
- capital requirements for microinsurance may be lower than conventional insurance, and insurers may have some time to implement new schemes and achieve prescribed operating results;
- microinsurers be allowed to use any means of payments;
- supervisors be enabled to develop sufficient capacity; and
- opportunities be provided for public-private partnerships to develop the market.

Client awareness

Raising awareness among clients appears to be essential and was also identified in the survey as a driver of growth. Awareness strategies put in place by various microinsurance institutions include holding weekly meetings to present the products offered, inviting and answering questions from potential customers, and communicating insurance concepts and processes to customers and staff. Some providers carry out random calls to customers to evaluate their understanding of the product, and to provide direct answers to their questions and concerns about the protection the product provides and how to present a claim. Other microinsurers have implemented a customer call centre with a free number available for clients to call, when they need information or help to submit a claim.

Innovation

Innovation is regarded a main driver of growth. It includes not only technology but other ways and means of doing things. In addition to new information technology to support the delivery and management of microinsurance, innovation can come in the form of bundling microinsurance with new products, using new claim assessment methods such as drones or satellites, introducing different payment methods such as mobile money, or employing new distribution channels. Channels used by microinsurers to reach the low-income market include, in descending order: microfinance institutions (MFIs), community-based organisations and insurance agents, NGOs, cooperatives and mutuals, banks, MNOs, retailers, employers, kiosks and utility companies.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30 — Left to right: Quentin Gisserot, Project manager – emerging consumers, AXA, France; Chinthana Jayasekara, Head of Group Business, Development / Group Business Operations, Dialog, Sri Lanka.

31 — Left to right: Camilo Casals, Business Development Advisor, RIMANSI, Philippines; Ashish Kumar Bhutani, Joint Secretary (Credit & Coop.), Ministry of Agriculture & Farmers Welfare, India.

An ecosystem

There are many drivers of growth and combining each of these pieces is more important for growth than relying on one piece alone. A market can thrive from an ecosystem of a number of elements, not just one or two: technology, regulation, market players, public-private partnerships (PPPs) and other pilot projects, mobile distribution channels and, above all, accessible local agents who can answer a first-time buyer's basic questions: "What do I get as value for my rupee?" and "Do I get my money back if I don't have a claim?"

Microinsurance premium growth in Asia is expected to be 25 % in 2016 and 30 % in 2017. A sound regulatory environment for the development and implementation of microinsurance, incentives for innovations and development of financial awareness programmes in low-to-middle-income countries would definitely sustain and benefit the microinsurance industry. More importantly, industry players would help achieve public policy objectives of protecting the poor by covering masses of people exposed to an array of risks but armed with inadequate coping mechanisms.

Lessons learnt

— The number of microinsurance policies sold in Asia has exploded in recent years. In Indonesia, it has increased four-fold between 2013 and 2016 and in the Philippines eight-fold between 2009 and 2015.

— Staggering growth numbers are significant but only value and impact will determine the sustainability of the volumes.

— Supportive government policies and regulations are important, but obligating commercial insurers to enter the microinsurance business has not been demonstrated as a driver of growth.

— Business case and social impact go hand in hand, each depending on and enhancing the other.

— Sustainable growth is driven by synergy between a number of catalysts, not just one or two.

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32 — Left to right:
Firdaus Djaelani, CEO, Financial Service Authority, Indonesia; Craig Churchill, Head, ILO's Impact Insurance Facility, Switzerland.

Agenda

16 November 2016
Morning sessions

Plenary 2

InsuResilience : Insuring the poor against climate risks
Hosted by BMZ/InsuResilience

Arup Chatterjee
Principal Financial Sector Specialist, Asian Development Bank, Philippines

Volker Hey
Senior Policy Officer, Federal Ministry for Economic Cooperation and Development (BMZ), Germany

Normunds Mizis
Regional Manager Euroasia, BlueOrchard, Switzerland

Vipul Sekhsaria
Head – Insurance Initiatives, IFMR, India

Dr P A Kiriwandeniya
Founder/Chairman, SANASA Movement, Sri Lanka

Sonu Agrawal
Founder and Managing Director, Weather Risk, India

Facilitator
Ulrich Hess
Senior Advisor, GIZ, Germany

Parallel session 1

The landscape of microinsurance in Sri Lanka
Hosted by IASL

Results of the study

Jenny Nasr
Senior Development Coordinator, Microinsurance Network, Luxembourg

Microinsurance mechanism to improve social inclusion in Sri Lanka

Dinesh Fernando
Lecturer, University of Sabaragamuwa, Sri Lanka

Chandula Abeywickrama
Chairman of the Board of Governors, Banking with the Poor Network, Sri Lanka

Samadani Kiriwandeniya
Chairperson, SANASA Development Bank, Sri Lanka

Facilitator
Dirk Pereira
President, Insurance Association of Sri Lanka, Sri Lanka

Parallel session 2

Technology

Aadhar enabled administration of health insurance program in Sikkim, India

Pompy Sridhar
Consultant, Manipal Group, India

Livestock insurance challenges and the way out

Balachandran M K
Assistant Vice President, HDFC ERGO, India

Harnessing the InsurTech hype for microinsurance

Tyler Tappendorf
General Manager: Country Operations, Inclusivity Solutions, South Africa

Facilitator
Peter Wrede
Senior Insurance Specialist, World Bank Group, United States

Parallel session 3

Creating an enabling environment
Hosted by a2ii

Michael Andoh
Head of Supervision, National Insurance Commission, Ghana

Peter van den Broeke
Member of the Secretariat, IAIS, Switzerland

Michael McCord
Chairman of the Board, Microinsurance Network, Luxembourg

Lorenzo Chan
President, Pioneer Life Inc., Philippines

Facilitator
Hannah Grant
Head of Secretariat, Access to Insurance Initiative (a2ii), Switzerland

Parallel session 4

Insurance combined with other financial products

Are low-income households ready for a financial planning culture?

Isabelle Delpeche
Director, Alternative Insurance Company, Haiti

SiPINTAR – A case study of a hybrid product combining microinsurance and micro-investments as part of the national financial inclusion strategy

Jakub Nugraha
Division Head of Microinsurance, PT Asuransi Central Asia, Indonesia

Tea industry value chain insurance

Saagar Khimasia
Business Solutions Manager, APA Insurance Ltd, Kenya

Facilitator
Andrea Keenan
Senior Managing Director – Industry Relations, AM Best, United States

Plenary 2

InsuResilience: Insuring the poor against climate risks

Hosted by GIZ on behalf of BMZ

With climate change accelerating and causing more frequent and more severe losses, protecting the poor against natural hazards is a global priority to which the G7 has committed substantial resources. A rapid action package is underway at the BMZ in Germany, and initiatives in several countries are breaking new ground. The plenary reviewed what has been accomplished and what lies ahead.

Rapid action to increase supply and spur demand

Extreme weather linked to climate change will affect more and more people in the years to come – especially in developing countries. In 2015, the G7 – under German presidency – launched the InsuResilience Initiative that aims to reach an additional 400 million poor people with coverage against the risks of climate change by 2020 (see Figure 5). Out of these 400 million, InsuResilience aims to reach 100 million poor beneficiaries through direct insurance schemes, meaning that the policyholder is an individual or company. The number refers to beneficiaries, not policyholders, which is the usual number gathered for landscape studies.

Developing the markets will involve governments (for data collection, remote-sensing technology, smart subsidies, and knowledge) to increase supply (through R&D to replace traditional approaches, for claim settlement for example) and stimulate demand (through digital delivery such as e-wallets).

At the COP 22 (the 22nd session of the Conference of the Parties) in Marrakesh, the G7 together with the EU Commission and the Netherlands announced funding of US$ 550m. Moreover, the rapid action package that was launched at the COP 21 has been extended. Among others, it includes the following direct insurance activities:

— The Climate Insurance Fund (CIF) to catalyse investments in direct climate-risk insurance schemes in developing countries.
— The GIZ project RIICE (Remote sensing-based Information and Insurance for Crops in Emerging economies) to further develop satellite technologies for direct climate-risk insurance solutions for crops.

The BMZ also launched a Global Project InsuResilience that consists of two components: a secretariat for the G7 and other InsuResilience partners and a component that supports implementation of direct climate insurance projects. The latter works on several market development projects:

— In Paraguay it combines nat cat insurance with a conditional social programme for people in rural areas.
— In India the team is exploring how InsuResilience can work with state governments and insurers to make sure the data and framework are right for climate risk insurance to reach the poor.
— In Zambia the team is planning to replicate and scale up weather index-based insurance for cotton contract farmers.

CIF is set up on behalf of BMZ by KfW, the German Development Bank. The fund, managed by Blue Orchard Finance, aims to reduce the vulnerability of micro-, small- and medium-sized enterprises (MSME) as well as low-income households to extreme weather events, while expecting an acceptable financial return by investing in companies along the insurance value chain including insurers, reinsurers and brokers.

The fund has capital of US$ 67m, with US$ 11m for technical assistance and US$ 6m to support viable innovative climate insurance products in their launch phase. The target investment size is US$ 3–10m, for five to seven years.

Figure 5
Goals by 2020

Source: BMZ/GIZ – Hess, Ulrich. Presentation "InsuResilience: The G7 Climate Risk Insurance Initiative – Insuring the poor against climate risks". 12th International Microinsurance Conference 2016.

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33 — Arup Chatterjee, Principal Financial Sector Specialist, Asian Development Bank, Philippines.

Technical assistance (see Figure 6) will be managed by CelsiusPro, which has a proprietary online platform for risk modelling, pricing, execution, transaction lifecycle management and reporting that allows users to model, price and transact a large number of transactions efficiently at low cost. CIF has three reinsurer partners: Munich Re, Hanover Re and Swiss Re.

In developing the markets and implementing InsuResilience, an important initial step is to know what is being done already to protect the poor against weather risks. The plenary provided a glimpse into the experience of three cases in South Asia.

Dealing with climate change: The examples of SANASA, IFMR Holdings and Weather Risk Management Services

Covering paddy and tea farmers

In Sri Lanka it was **SANASA** Insurance Company which introduced the concept of index insurance to the agricultural sector. With an investment from the IFC, it launched an index-based product for paddy farmers in 2010 and for tea farmers in 2012 (as featured in Session 10). The company also received technical support from DID, Canada, and K.A. Pandith and Basix, India.

Prior to product development, SANASA carried out a feasibility survey of more than 2,000 farmers. It found that their lack of ability to pay premiums upfront may require a premium subsidy scheme. Community-based organisations are its main distribution channel. Two community-based solar-powered weather stations, under construction as a pilot project with the assistance of Moratuwa University, incorporate access to historical data. **The major challenge in implementation for SANASA was the farmers' "thinking pattern": God will protect them and their cultivation, and insurance is a luxury product.**

Figure 6
Technical assistance (TA) services through CIF

	TA Services	Description
Institutional services	**Feasibility study**	Study to promote (parametric or indemnity-based) climate insurance products covering: risk region, risk period, key crop, livestock, key climate risks, suitable distribution model
	Legal services	Regulatory framework, policy wording, licensing in respective country
	Project management	Managing the implementation of climate insurance, business planning, budgeting
	Corporate governance	Training on governance structures, rules, processes, responsibilities, code of conduct, transparency
Technical services	**Data sourcing**	Sourcing relevant weather, climate, remote sensing, yield and nat cat data
	Insurance design	Design and price an (index for parametric) insurance product
	Education of investee	Educate the investee about (indemnity-based or index) insurance products (and about the use of weather insurance platform(s))
	Marketing and distribution support	Support the investee in the preparation of marketing material and advise on the distribution of the product on the ground
	Operations support and platform	Provide booking platform(s) for the investee. Customising the platform for country, user, language, products etc.
Financial services	**Education of end client**	Educate the end client of the insurance product on financial literacy

Source: Mizis, Normunds. Presentation "Climate Insurance Fund". 12th International Microinsurance onference 2016.

Eyeing a multi-peril index

In India, the main challenge for a provider is more in building its own technical capacity to respond to the needs of MFIs, and through them their individual low-income customers that it serves. **IFMR Holdings,** whose mission is to ensure that every individual and every enterprise in its customer base has complete access to financial services, believes it is critical to protect them against natural disasters which affect the poor disproportionately. As many as 55 % of financial institutions that IFMR Holdings serves have more than 40 % of their customers living in high-to-moderate natural catastrophe risk zones.

To protect them adequately, it is building a technology platform responsive to all its stakeholders – including, above all, local MFIs, the so-called "originators" which provide access to finance to 35 million low-income customers. Through risk analytics and loss exposure modelling, IFMR Holdings is addressing multiple risks – organisational, financial and geographical – that the originators carry in lending to customers highly exposed to multiple natural disasters, as well as individual borrowers themselves. Its main challenge is to have a multi-peril underwriting capacity to handle multi-peril parametric covers that go beyond protecting assets and lives to restoring livelihoods and income streams.

Box 3
From a development sector perspective

Key takeaways from remarks made in the session by Arup Chatterjee, principal financial sector specialist, Asian Development Bank, the Philippines.

— Risk has to be addressed at the source and managed at the local level. We have to start putting price tags on risk to help everyone realise the cost of doing nothing. Invest in gathering accurate and reliable data for catastrophe modelling in order to understand, evaluate, and manage catastrophe risk exposure, calculate probable losses and premium rates, and secure an adequate level of insurance / reinsurance.

— We don't buy insurance to just protect ourselves from likely occurrences. We buy insurance to guard against unlikely and financially devastating events. Segment disaster risks based on a rigorous analysis of the underlying hazard based on severity and frequency and then match risk characteristics with the most cost-effective financial instrument. Insurance should be used for less frequent but more severe disasters.

— A common reason people avoid purchasing catastrophe insurance is that they feel the government will come to the rescue with financial assistance after a major disaster. But they don't realise that even if the government offers help to those affected, there is no guarantee it will cover everything. For stimulating early recovery post-disaster, the emphasis should be on restoring livelihoods and rebuilding better. Insurance can strengthen the resilience of the poor and most vulnerable by ensuring rapid, cost-effective financial compensation to finance recovery efforts.

— Insurance regulations need to put enabling and proportionate regulatory regimes in place to foster the development of the insurance sector, and which in turn will expand the coverage of disaster risks. Reform of the insurance sector should include solutions wherein the insurance industry can respond effectively to the unique circumstances of their economies following disasters. For example, governments can strengthen financial resilience by enacting special regulatory regimes for parametric products, catastrophe risk pools, microinsurance schemes or insurance-linked securities; and introducing tax incentives for expanding private insurance coverage.

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34 — Left to right: Dr P A Kiriwandeniya, Founder / Chairman, SANASA Movement, Sri Lanka; Vipul Sekhsaria, Head – Insurance Initiatives, IFMR, India.

35 — Left to right: Sonu Agrawal, Founder and Managing Director, Weather Risk, India; Normunds Mizis, Regional Manager Euroasia, BlueOrchard, Switzerland; Volker Hey, Senior Policy Officer, Federal Ministry for Economic Cooperation and Development (BMZ), Germany.

Dealing with an infestation peril

Risks directly linked to climate change – floods, droughts, too much or too little rain – are not the only ones farmers face. Sometimes, natural disasters can strike in the form of pests and crop diseases, which may also be triggered by variable weather. Such was the case in Punjab's Malwa region in 2015, when cotton leaf curl virus and black sooty mould disease from a devastating attack by whiteflies affected about two-thirds of the standing cotton crops. Huge financial losses aside, the peril proved too much to bear for at least 15 cotton farmers who have since committed suicide.

To protect cotton farmers in the 2016 growing season, **Weather Risk Management Services** developed "farm-level" insurance cover of up to INR 10,000 (US$ 150) per acre against curl leaf virus and black sooty mould. Premium for the cover limit was INR 570 (US$ 8.40), and the insurance had some pre-conditions:

— Farmers must enrol for a pesticide spraying service before the seed sowing, and complete the spraying schedule.
— Farmers must carry out a prescribed treatment of cotton seeds before sowing.

A graduating scale was developed for claim payments, with a minimum of 30 % of the sum insured for infestation of 20–30 % of plants and a maximum of 100 % sum insured for more than 75 % of plants affected.

The plenary concluded with a Q & A session that brought out three notable points:

— a partnership with government and an initial subsidy is a must to start a climate risk programme for the poor;
— such a programme must have five features: it should be comprehensive, sustainable, scalable, accessible and smart; and
— those involved in microinsurance across the board should be informed about how the numbers of beneficiaries are being tracked.

Lessons learnt

— Technical assistance, particularly in the use of satellite technology for crop insurance, will be increasingly significant in widening the providers' climate insurance outreach. Increasing insurance awareness among the poor requires, as a first step, acknowledging their mindset, which is mostly fatalistic and reliant upon the will of God.

— Most communities of low-income people are exposed to multiple perils, and a microinsurance programme serving them needs to have a multi-peril underwriting capacity, and multi-peril triggers in case of index insurance.

— The changing climate is not only increasing the frequency of floods and droughts but also the risks of infestation and crop diseases.


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36 — Ulrich Hess, Senior Advisor, GIZ, Germany.

Parallel session 1

The landscape of microinsurance in Sri Lanka

Hosted by IASL

The insurance industry in Sri Lanka has no common definition of microinsurance. According to both the insurers and regulators, it is not a specific category. This hampers the ability to target to those who need microinsurance the most: the poor. In Sri Lanka, 40 % of the population earns less than $2/day. Yet, the poor are not taken seriously as a customer segment in the conventional insurance industry, which caters to people who are better off. Presenters in this session called on insurance associations to take the lead to cover all the sectors and all corners of Sri Lanka, especially because there is no big player or leader in microinsurance in Sri Lanka.

Improving social inclusion

The conventional insurance industry tailors its products to the more privileged segment of society in myriad ways. Regulations, risk assessment frameworks, and rating systems all serve to exclude large numbers of potential customers. For example, the poor often have irregular income, and so the standard model of collecting premiums at a set schedule may not fit them well.

The demand among the poor for microinsurance is high. 70 % of businesses in Sri Lanka are small enterprises and linked to the lowest levels of the value chains. They have little risk management capacities at the same time that the high rate of emigration is disintegrating traditional informal social protection systems.

While demand is high, it is often implicit and unrecognised among the poor. The overwhelming majority of low-income people think that insurance will not help them. Present risks are more on their mind than future risks, and so benefits of insurance are underappreciated. But access to the rural population is easier than ever because of technology and other infrastructure expansion. And finding willing buyers is easier than it used to be because people are not as poor as they used to be, and the risks they face are not so unknown.

In cultivating the poor as microinsurance customers, **the key is to treat insurance as a relationship rather than a one-time transaction.** One presenter noted: “The microinsurance business is about investing in the future. It’s like buying a calf. You can’t milk a calf, but when it becomes a cow you can. Investing in microinsurance is like investing in a calf.” MSMEs will often not remain at their initial size. The MSME sector – including services such as hospitality and construction – is growing at a rapid rate, and its members are in need of insurance. Over time, the micro enterprises will become small, and the small will become medium-sized. Microinsurers can take the initiative to invest in the future of Sri Lanka’s business sector.

Microinsurance landscape

A study of nine insurance providers, through interviews and surveys, revealed the contemporary landscape of microinsurance in Sri Lanka published by the Microinsurance Network and the Munich Re Foundation. While there is no common definition of microinsurance, some insurers in the study use a cut-off of annual premium of LKR 20,000 (US$ 120). Among microinsurance products in Sri Lanka, life and personal accident policies make up the vast majority, while take-up of microinsurance for property, livestock and agriculture is very low.


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37 — Jenny Nasr, Senior Development Coordinator, Microinsurance Network, Luxembourg, presenting the results of the newly released Landscape Study on the status of microinsurance in Sri Lanka.

38 — Dinesh Fernando, Lecturer, University of Sabaragamuwa, Sri Lanka.

39 — Left to right: Chandula Abeywickrama, Chairman of the Board of Governors, Banking with the Poor Network, Sri Lanka; Samadani Kiriwandeniya, Chairperson, SANASA Development Bank, Sri Lanka.

Total insurance premiums in Sri Lanka grew 16 % between 2014 and 2015, to US$ 850m. 7 % of the policies sold were classified as microinsurance (see Figure 7). Microinsurance policies grew even more quickly than conventional insurance, more than doubling from 2014 to 2015.

In 2015 there was a claims ratio of 34.3 % and expense ratio of 17.8 %. Because only a few insurers in the study provided microinsurance-specific data – that is, they did not segregate microinsurance data from conventional insurance data – future studies on microinsurance in Sri Lanka will be improved by more fine-tuned data collection by insurers.

There have been recent regulatory changes in Sri Lanka. The Microfinance Act, No. 6 was passed in 2016. Its intent is to license, regulate and supervise the companies engaging in microfinance. The act also permits a licensed microfinance company to partner with an insurance company to offer credit-life covers. Additionally, in 2016, regulators moved from a solvency-margin regime to a risk-based-capital regime, wherein insurance companies determine their capital based on their risk appetite. So the Insurance Board of Sri Lanka has started to require insurance companies to increase their stated capital from LKR 100m (US$ 675,000) to LKR 500m (US$ 3,375,000).

Lessons learnt

- With no big player or leader in microinsurance in the market, the insurance associations of Sri Lanka need to take the lead in developing this sector.
- While the demand for microinsurance is high among the poor, it is often implicit and unrecognised.
- There is a large vacuum in microfinance; while there is a lot of saving and borrowing, microinsurance is piecemeal.
- The microinsurance industry in Sri Lanka needs more effective claims processes, more innovative distribution channels, and greater clarity of regulations.
- Microinsurance needs to include larger goals of social inclusion (such as connecting with the UN's Development Goals) and not just focus on risk management.

Figure 7
Sri Lanka microinsurance profile

Population	20 million
Low income population	40 %
Microinsurance policies issued (2015) based on the survey	1.46 million
Microinsurance policies issued as percentage of total population	7 %
Life and personal accident as percentage of total microinsurance policies	98 %

Source: The Landscape of Microinsurance in Sri Lanka 2016.

40 — Dirk Pereira, President, Insurance Association of Sri Lanka and facilitator of the session.

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Parallel session 2 Technology

Technology is poised like never before to improve insurance products, distribution, user experience and customer value. This session considered its use in health and livestock insurance, with a close look at how microinsurance could harness InsureTech.

Putting national IDs to work for health insurance

In the world's largest national identification number project, India is issuing a unique 12-digit ID number, called Aadhaar, to each of its estimated 1.3 billion people. By mid-December 2016, some 1.1 billion numbers had already been issued, with people's biometric and demographic details collected and stored in a centralised database. Aside from confirming IDs in milliseconds, the project is designed to facilitate distribution of government benefits like food and gas subsidies, and applications for banking and financial institutions.

The system's national platform is now being leveraged for simplified cost-effective processes for enrolment and claims in a micro health insurance pilot. The project is being implemented in Sikkim, the Himalayan state which shed monarchy and joined India in 1975. With sparse pockets of dense population and a skeletal medical infrastructure, a health insurance scheme in Sikkim has to overcome high distribution costs and entrenched fraud. Use of the Aadhaar technology in enrolling clients and administering claims has helped the pilot take hold – despite poor internet and telephone connectivity. In particular, biometrics instantly ID beneficiaries at the point of claim and enable real-time intervention by the insurer and authorisation of a claim upon admission to the hospital. The pilot is a joint effort between the Manipal group, which is the healthcare provider in Sikkim, and Reliance General Insurance Company.

> **Health microinsurance scheme Sikkim**
>
> Number of people insured
> 45,047
>
> Insured risks
> Hospitalisation, up to INR 150,000 (US$ 2,200)
>
> Premium range
> INR 682 to 1,364 (US$ 10 to 20) per annum

Now in Phase 4, the project aims to cover 80 % of the population in 5 years under an equitable, prepayment, contributory insurance scheme.

Making livestock insurance manageable with mobile technology

The rural population accounts for more than 65 % of the total in India, with one in four persons in rural areas living below the poverty line. HDFC ERGO is one of the few companies to have a dedicated rural team with innovative channels and distribution networks. It is now in the forefront of applying mobile technology to livestock insurance.

The livestock insurance market in India has huge potential. The cattle population is 512 million and only 10 % of it was insured in 2012. Challenges an insurer faces include:

- high transaction costs, of cover note, health certificate, photo and data entry;
- moral hazard, of false claims, photos and tags;
- low scalability, due to low awareness and high cost; and
- high loss ratio, with high enrolment in loss-prone areas.

Mobile technology, used extensively in other lines, has yet to be tested widely in rural insurance. It addresses the challenges of existing processes, with quick data validation in enrolment, single-page and real-time policy issuance, and claim settlement through mobile-based claim reporting and validation. It reduces transaction and operating costs, making it easy to check fraudulent practices, process claims, control loss ratios, and store data for future reference. HDFC ERGO sees a broad scope of potential rural mobile applications in the years to come:

- Disease tracking and reporting to manage outbreaks and maintain veterinary public health
- Government compensation settlements
- National data bank creation
- Animal tracking, through RFID chips
- Insurance of animals other than cattle: pet dogs, elephants, etc.

Harnessing the InsureTech hype

Finance technology (FinTech) and its application to insurance (InsureTech) are charting new frontiers for microinsurance too. New software and systems, as well as the Cloud, to analyse and manage data are enabling insurers to customise and personalise products. More and more, there is talk of **artificial intelligence / machine learning, peer to peer (P2P), on-demand protection, chatbots, and the Internet of Things.**

In the traditional insurance space **artificial intelligence / machine learning** is leveraging new and unstructured sets of data. Drive Spotter, the world's first real-time video search engine for mobility platforms, can reduce driving accidents and provide driving forensics and alerting to insurers. ZhongAn, China's first on-line-only insurer, networks with smartphones for real-time underwriting and pricing of "exotic" covers such as alcohol poisoning, intense heat and flight delays (while at airport). It has 460 million customers holding 5.8 billion policies. With Alibaba among its supporter/investors, ZhongAn's flagship policy is return-shipping insurance for goods sold online. On Double 11, China's shopping festival November 11, in 2015, ZhongAn wrote 380 million policies in one day.

For microinsurers also, **artificial intelligence** holds prospects of customising products and assessing individual risks, while coping with the challenge of reliable datasets. Captricity, combining machine learning and human verification, gives customers access to data generated by paper documents, including handwritten ones. Microinsurers going digital can now embrace paper too.

Peer-to-peer insurance, essentially a mutual in a tech environment in traditional insurance, now means dividing into smaller pools that share in risk and reward. There are examples of 33–80 % savings created by groups' shared incentives to minimise fraudulent claims. P2P already exists in microinsurance in various forms, such as burial societies. Market research in South Africa shows that P2P groups want transparency, simplicity and efficiency, rewards for success but no penalties for bad members. The key to success is to link them to unique existing structures in local markets.

On-demand protection, such as Trōv and Cover in traditional insurance, has examples in microinsurance too: Safari BIMA, Cover2Go, and ACRE / Kilimo Salama. It has challenges of more frequent decision-making to "turn on" coverage and adverse selection: buying cover before risky events. Spixii and Lemonade are insurance examples of chatbots, or computer programmes able to communicate with humans. They can facilitate small transactions and customer service. In microinsurance, key considerations are literacy rates, smartphone penetration, target market age, and trust.

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41 — Left to right:
Pompy Sridhar, Consultant, Manipal Group, India;
Balachandran M K, Assistant Vice President, HDFC ERGO, India;
Tyler Tappendorf, General Manager: Country Operations, Inclusivity Solutions, South Africa;
Peter Wrede, Senior Insurance Specialist, World Bank Group, United States.

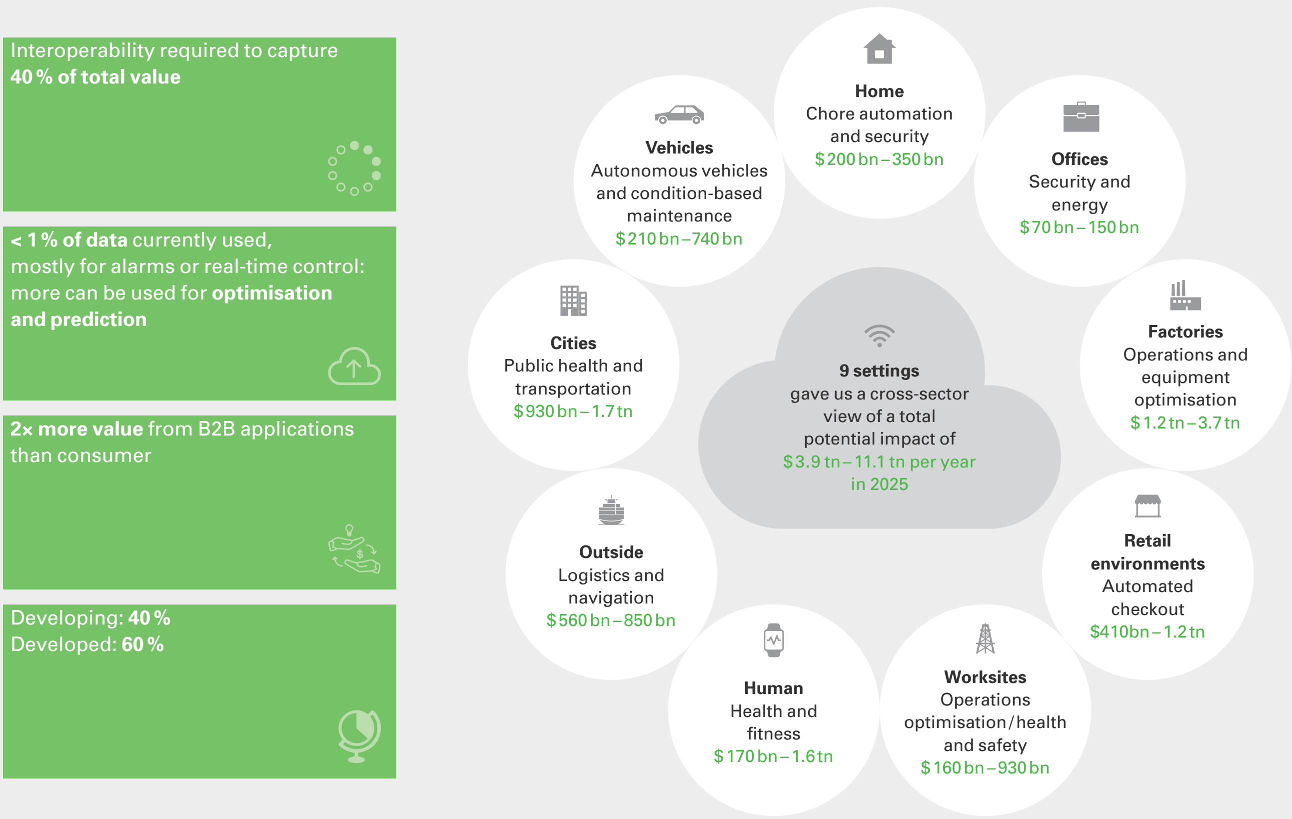
Parallel session 2
Technology

The Internet of Things – defined as one in which everyday objects have network connectivity, allowing them to send and receive data – has a huge value potential (see Figure 8). A prime example of its use in microinsurance is Lumkani, an African tech start-up and social enterprise that designed a fire alarm for use in slums.

Lessons learnt

- National ID-number technology can greatly facilitate cost-effective and simplified processes for health insurance enrolment and claim validation.
- Using mobile technology in livestock insurance can reduce its transaction costs, monitor fraudulent practices to control loss ratios, and expedite claim processing.
- FinTech and InsureTech are disrupting and transforming traditional insurance. Micro-insurance can be a leader in their application to the low-income market.

Figure 8
Where is the value potential of the Internet of Things?



Source: Tappendorf, Tyler. Presentation "Harnessing the InsureTech hype for microinsurance". 12th International Microinsurance Conference 2016, based on McKinsey "The Internet of Things: Mapping the value beyond the hype", June 2015.

Parallel session 3

Creating an enabling environment: Lessons from a decade of proportionate regulation

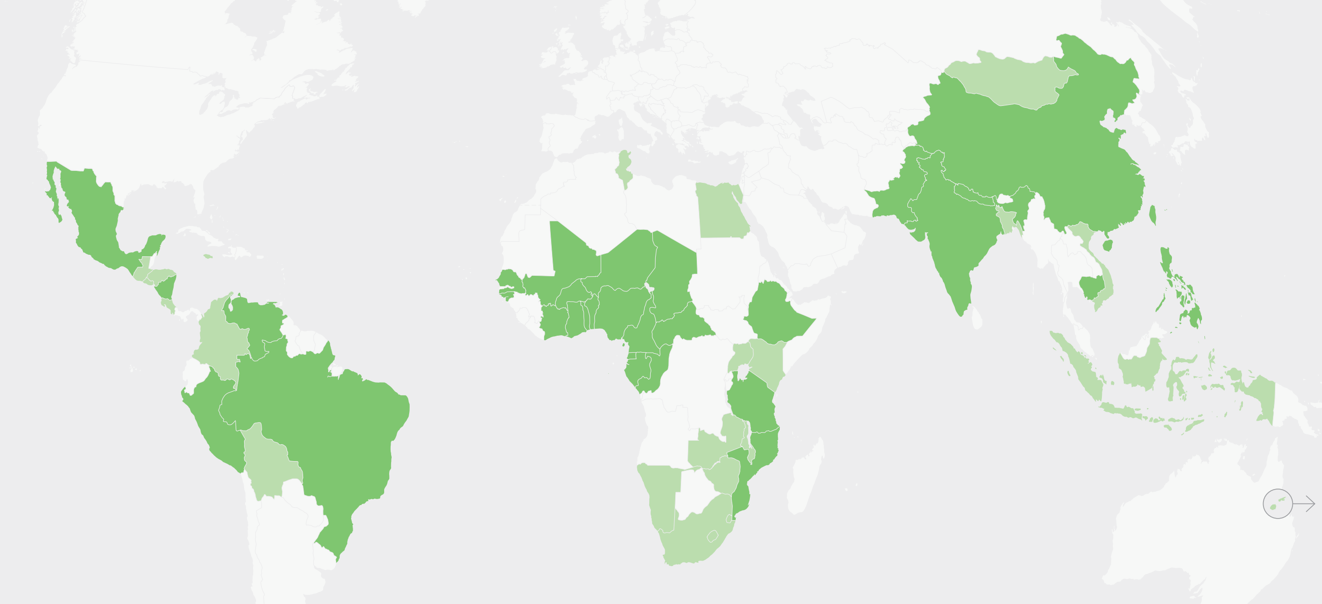
Hosted by a2ii

It was more than a decade ago that the first microinsurance regulations were introduced in India, the Philippines, Peru and Mexico. The sector has since gained important insights into what forms effective regulation and supervision. This session summarised some of the key lessons learnt, citing cases of Ghana and the Philippines, and discussed new challenges for supervisors posed by a rapidly changing environment, with insurers increasingly using new types of distribution channels and bundling products with other financial and non-financial services.

The first inclusive insurance regulation was passed in India in 2005. Still by 2009, only six countries had a dedicated regulatory framework for microinsurance – none in Africa. **Today, inclusive insurance regulations are in place in 18 jurisdictions across Africa, Asia and Latin America, with a further 23 under development** (see Figure 9). And while it is difficult to directly link such legal frameworks with growth in microinsurance, one can observe a significant correlation.

Counterexamples, however, include Colombia, where despite the lack of a specific regulation the microinsurance sector has a significant uptake, and Brazil, which lacks a steady microinsurance uptake despite a specific regulation whose provisions are too restrictive and costly to facilitate market development.

Figure 9
State of inclusive insurance regulation 2017



Implemented (18)

Africa	Latin America	Asia
CIMA	Brazil	Cambodia
Ethiopia	Mexico	China
Ghana	Nicaragua	India
Mozambique	Peru	Nepal
Nigeria	Venezuela	Pakistan
Tanzania		Philippines
		Taiwan

Under development (23)

Africa		Latin America	Asia
Egypt	Tunisia	Belize	Bangladesh
Kenya	Uganda	Bolivia	Indonesia
Malawi	Zambia	Colombia	Mongolia
Lesotho	Zimbabwe	Costa Rica	Vietnam
Namibia		El Salvador	**Pacific**
South Africa		Guatemala	Fiji
Swaziland		Honduras	
		Jamaica	

Source: Based on A2ii 2015-2016 Annual Report.
Vietnam announced the development of a new regulation in 2017.

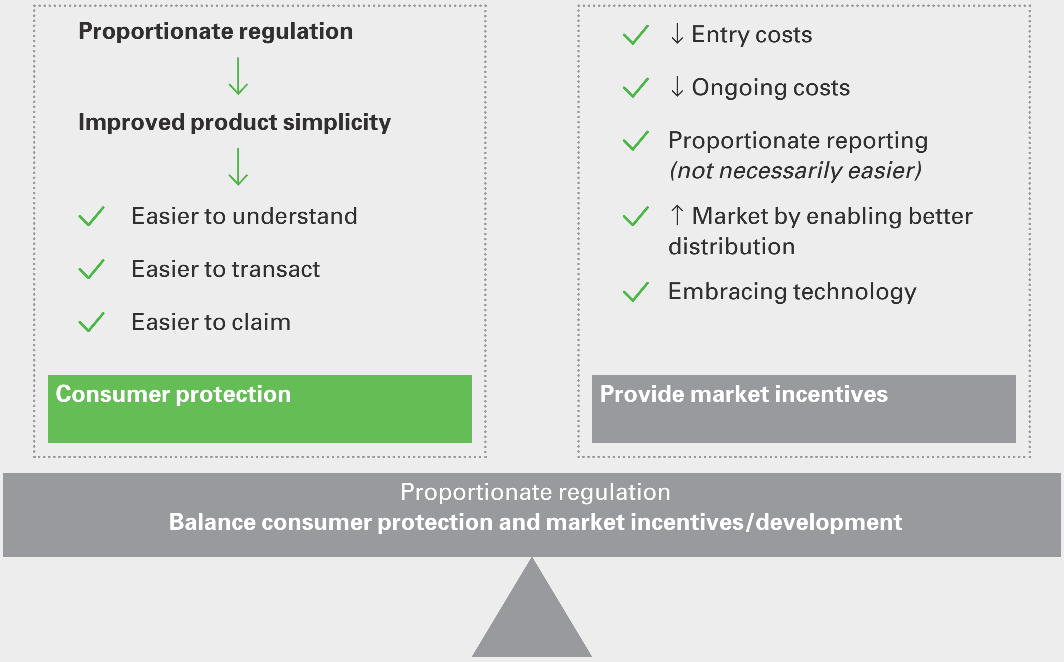
Parallel session 3
Creating an enabling environment: Lessons from a decade of proportionate regulation

One catalyst, no doubt, has been the 2012 IAIS "Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets." **By emphasising the central notion of proportionality, i.e., the need to adjust certain supervisory requirements and actions in accordance with the nature, scale and complexity of risks, it effectively helped supervisors balance consumer protection and market incentives/development in their efforts to create sustainable enabling regulatory environments for inclusive insurance** (see Figure 10).

Two cases of an enabling environment are Ghana and the Philippines. In Ghana, a proportionate regulation introduced in 2013 quickly had a major impact, with 7.5 million lives now covered and 30 products from 15 insurers available in the market. But Ghana's National Insurance Commission (NIC) considers regulation to be just one element of a holistic approach to developing the local microinsurance market. Other factors include, e.g. the promotion of consumer education in the media and the support of actuarial capacity-building in the insurance industry. The NIC regularly consults the industry to identify areas of concern and ways of improving existing rules and standards.

The case of the Philippines also shows that regulation needs to be monitored and adjusted and improved as the market develops. After the issuance of the first circular on microinsurance in 2006 and the launch of a regulatory framework in 2010, a number of amendments were made in the following years to widen the scope (e.g. to agricultural insurance) and to implement comprehensive performance standards regarding pricing, product approval and solvency requirements. The result was an increase in the number of microinsurance policies from 8 million in 2012 to 17 million in 2014.

Figure 10
Proportionate regulation: protecting the consumer and incentivising the market



Source: McCord, Michael. Presentation "Creating an enabling environment: Lessons from a decade of proportionate regulation". 12th International Microinsurance Conference 2016.

Turning to market trends and the challenges they pose, the panel identified five issues:

— As the bundling of products increases, so will the need to separate supervision of life and non-life covers.
— Mobile insurance still needs better regulation to prevent people from becoming uninsured overnight if the cooperation of the involved insurer and MNO collapses (as happened in a case in Zimbabwe).
— It is not clear yet how technical service providers are to be dealt with from a regulatory perspective. They do much more than traditional brokers, but where do they fit in?
— Agricultural insurance is often the responsibility of the Ministry of Agriculture and not the insurance supervisor – which is a challenge.
— The advent of FinTech/InsurTech will have a severe impact on the supervisors' ability to regulate, and creates new frontiers in consumer protection.

Concluding, the panel urged regulators to take the lead in providing access to insurance, and thereby making a real difference to the lives of the population.

Lessons learnt

— Proportionate regulation is key, i.e. balancing consumer protection with market incentives and innovation.

— Regulators should be open to innovation, and embrace technology.

— Regulators should allow the industry some way of experimenting and testing the regulation before it is put in place.

— Regulators should recognise that the demands of different target groups differ and that not all fit in one box.

— Regulators should think broadly and proactively develop the market, e.g. by providing consumer education and actuarial capacity-building.

— It is important for regulators to maintain a dialogue with other authorities involved, such as the telecommunications authority for mobile insurance and the Ministry of Agriculture for agricultural insurance.

— Keep in mind that simplicity helps consumer protection.

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42 — Left to right: Lorenzo Chan, President, Pioneer Life Inc., Philippines; Peter van den Broeke, Member of the Secretariat, IAIS, Switzerland.

43 — Left to right: Michael McCord, President, Microinsurance Centre, United States; Michael Andoh, Head of Supervision, National Insurance Commission, Ghana.

44 — Hannah Grant, Head of Secretariat, Access to Insurance Initiative (a2ii), Switzerland.

Parallel session 4

Insurance combined with other financial products

In this session, experiences of bundling insurance with other financial products were discussed by three experts, from Kenya (APA insurance), Haiti (AIC) and Indonesia (PT Asuransi).

In the low- to middle-income population, financial literacy is often very low. In Indonesia, a survey conducted in 2013 found that only 21 % of the population was financially literate. In the traditional culture of Haitians, there is no need for prevention because "God will prevail" and in Kenya, people are unlikely to pay today for a benefit in a distant future. Generally, the poor in these and other developing countries are either not at all or barely literate. Before bundling insurance with other financial products, raising their awareness is crucial.

Combining microinvestment and microinsurance

In Indonesia, the government implemented a National Strategy of Financial Inclusion in September 2016. The objective is to raise public understanding on how to choose and use financial products. This national strategy relies on three pillars:

— a national campaign of financial literacy,
— strengthening of financial literacy infrastructure, and
— development of financial products and services.

The objectives of this last pillar are to increase awareness of financial planning, urge the public to have savings plus investment, and get protected, supported access to financial products for the less-literate, non-banking population, and provide alternatives products that are accessible, affordable and comprehensive.

Targeting those who have no or scant knowledge of how to save money for emergencies, insurer **PT Asuransi** has developed a product adapted to the Indonesian reality. Laku Mikro (micro financial service) offers a combined microinvestment/microinsurance solution through a large network of pawnshops. Clients can enrol in a microinvestment programme (gold financing) and they receive a microinsurance voucher that can be activated by SMS. The insurance covers death or disability by accident and disaster.

Laku Mikro, Indonesia

Number of people insured
18,799 customers

Insured risks
Personal accident, life

Premium range
US$ 4 per annum for a total sum insured of US$ 2,250

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45 — Saagar Khimasia, Business Solutions Manager, APA Insurance, Kenya.

46 — Andrea Keenan, Senior Managing Director – Industry Relations, AM Best, United States.

Life insurance in a financial package

In Haiti, **AIC** launched its microinsurance department in 2007 and started offering a funeral product in 2009. It helped increase premium income from HTG 571,000 (US$ 8,500) in 2009 to HTG 800,000 (US$ 11,900) in 2015.

Going beyond the traditional to a more sophisticated financial tool, AIC has developed a universal life insurance product named Flexicash. It gives clients access to a bundle of financial products at the same place. Flexicash includes a conventional savings account, a special account for emergencies, life insurance, and access to credit.

As a full package of financial tools that the average client may find complex, Flexicash is driven by a communication and marketing strategy focusing on financial education. Sales staff act as financial advisers, and this led to confusion for customers: "Are you a bank or an insurer?" Trust was an issue and Flexicash faced low acceptance at launch. The marketing approach was reviewed. First designed for low-income individuals, Flexicash is now offered to small and medium enterprises, notably as a retirement plan. It started 16 months ago and has 1,000 clients.

The company plans to "touch/educate" some 25,000 low-income bank clients in the next three years, adding 5,000 customers.

Flexicash, Haiti

Number of people insured
1,000 customers

Insured risks
Life (within a financial services package)

Premium range
US$ 2 per month

47 — Left to right: Jakub Nugraha, Division Head of Microinsurance, PT Asuransi Central Asia, Indonesia; Isabelle Delpeche, Director, Alternative Insurance Company, Haiti.

48 — Strong interest in hybrid products resulted in a full session.

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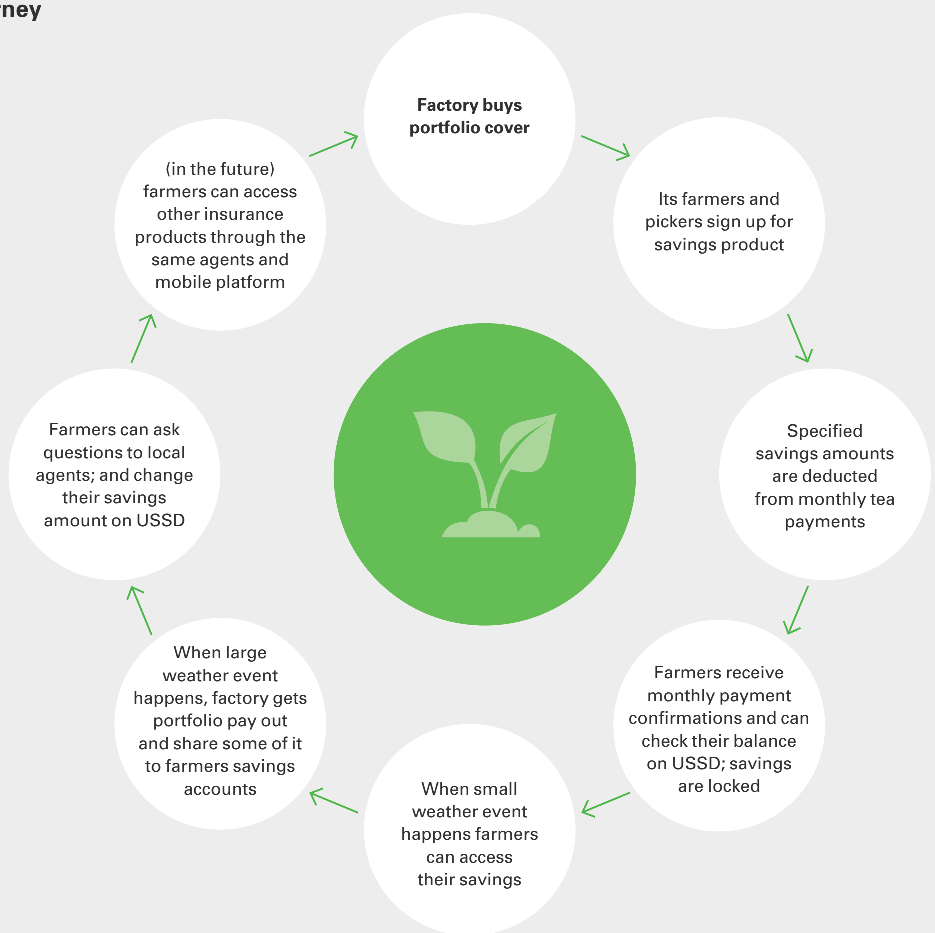
Parallel session 4
Insurance combined with other financial products

In Kenya, APA Insurance was one of the first companies to implement the National Crop Insurance Scheme and the Kenya Livestock Insurance Programme and the first to introduce an aquaculture insurance product. It is now developing a new product for the tea industry in Kenya: a hybrid solution sold to and through tea factories. It includes catastrophe portfolio insurance for tea factories and an integrated savings account for farmers and pickers, complementing their livelihoods and helping them manage risks (see details in Figure 11).

Lessons learnt

- Insurance is a complex concept, and limited financial literacy of potential clients is a critical factor.
- A marketing and communication plan does not replace a strong educational initiative to raise awareness, and financial literacy. A product combining savings, credit and insurance may be confusing and too complex for low-income clients.
- Develop the product tailored to the needs of clients by monitoring their impressions and adjusting it accordingly.
- Having the support and commitment of the management for microinsurance is essential. A product could take a few years to make a profit, with the start-up costs and resources serving as an investment.

Figure 11
Customer journey



Source: Khimasia, Saagar. Presentation "Tea industry value chain insurance". 12th International Microinsurance Conference 2016.

Agenda

16 November 2016
Afternoon sessions

Parallel session 5

Improving business processes

Structural Claim Settlement Process, the key to earning the trust of policy holders/ beneficiaries

Rehan Butt
Head of Business Development Asia, MicroEnsure, United Kingdom

Increasing impact by over-coming fraud in microinsurance

Gilles Renouil
Director, Microinsurance, Women's World Banking, United States

"For whom the bell tolls" – The current state of micro-insurance – Learnings from Quantum Mechanics & the Periodic Table

Krishnan Venkatachalam
Head of Microinsurance, AIG – American Insurance Group, United States

Facilitator
Michael McCord
President, Microinsurance Centre, United States

Parallel session 6

Insurance against disasters

Area yield crop insurance, a key component for a sustain-able agricultural development approach in Mali

Jonathan Boudreau
Project Manager, FADQDI, Canada

Insurance as part of disaster risk reduction and response programme

Ayandev Saha
General Manager, K.M. Dastur Reinsurance Brokers Pvt. Ltd., India

Scaling up agriculture insurance in Zambia

Agrotosh Mookerjee
Consultant Actuary, Risk Shield Consultants, Zambia

Floating homes to prevent losses

Prof. Elisabeth English
University of Waterloo, Canada

Facilitator
Dirk Reinhard
Vice Chairman, Munich Re Foundation, Germany

Parallel session 7

Actuarial capacity and the implications for regulation
Hosted by the International Actuarial Association (IAA)

Building actuarial capacity for inclusive insurance markets

Nigel Bowman
Chair of the Microinsurance Working Group, International Actuarial Association, Canada

Peter van den Broeke
Member of the Secretariat, IAIS, Switzerland

Henry Yan
Chair of Microinsurance Working Group, Institute and Faculty of Actuaries, United Kingdom

Facilitator
Denis Garand
President, Denis Garand and Assoc., Canada

Parallel session 8

Unlocking demand: how to deliver value to your customers
Hosted by ILO's Impact Insurance Facility

Geric Laude
President and CEO, Card Pioneer Microinsurance, Philippines

Quentin Gisserot
Project manager – emerging consumers, AXA, France

Facilitator
Aparna Dalal
Senior Research Officer, ILO, Hong Kong

Plenary 3

Microinsurance: A business or a charity?
Hosted by IASL/IIS

Peter Book
Head of Agriculture/ Business Development Asia Pacific, Allianz Re, Singapore

Manjula de Silva
Chairman, National Insurance Trust Fund, Sri Lanka

Max Bergmann
Managing Director of BIMA Sri Lanka, BIMA, Sri Lanka

Facilitator
Sivam Subramaniam
Editor-in-Chief, Asia Insurance Review, Singapore

Parallel session 5

Improving business processes

This session discussed elements that make business processes robust and efficient, with a built-in and ongoing claim settlement that is customer-centric but includes fraud management. It also looked into the "next level" of microinsurance.

Efficiencies rooted in design

Robust and efficient processes are the key to microinsurance growth. "Careful" service throughout a product lifecycle, with claims paid frequently, quickly and efficiently, will earn trust of beneficiaries and result in satisfied customers.

Efficiencies emanate from the design itself. Robust processes require four components: simplicity, education, complaints management, and reducing paperwork. **Simplicity** is essential. Products and processes should be designed for fast claims settlement. **Education** enhances efficiency. Welcome calls, no jargon, use of the regional language, and innovative field engagement deepen customers' understanding of the product and its benefits.

Not filtering out a mis-sold client early on can potentially cost 5–7 times more later on. For **complaints management,** respond in minutes and hours (not days and weeks), open multiple communication channels, have a pragmatic claims approach, and "sell" the denial if rejecting a claim.

Reducing paperwork means avoiding costs of forms for enrolment, servicing and claims, reducing storage and retrieval, as well as slow processes and staff inefficiencies. Leverage existing technologies such as WhatsApp, a free messaging app available for smartphones.

MicroEnsure uses a WhatsApp Club for innovative field engagement. Fully aligned with today's social media tools, the Club has proven to be efficient, engaging, and highly cost-effective. Low engagement by an MFI (or other partner) means low productivity and product failure. **Traditional training and field engagement methods are difficult to organise, time-consuming, and unsustainable.** Engagement and education need to be continuous. And that's the focus of the WhatsApp Club's features:

- "Sachet training" providing bite-sized knowledge.
- Giving the product an everyday familiarity.
- Content generation by participants themselves.
- No fixed schedule, complete convenience.
- Right there when needed, even when dealing with a client.

Overcoming fraud

"Pigs don't fly." If you think fraud is not happening, you are probably not detecting it.

Every year the insurance industry loses billions to fraud. It is difficult to find reliable statistics on fraud, but experts agree that in general:

- 20 % of people will never commit fraud under any circumstances;
- 20 % will try to create the opportunity; and
- 60 % are undecided (the actual act depends on the perceived risk to be caught).

"Occasion makes a thief." Do not leave loopholes.

What is true for insurance is also true for microinsurance, with a few additional aspects to consider:

The low-income segment, that has often never experienced insurance before, will want to "try" the product and may file claims that are per se not receivable. It does not mean that they are fraudulent. **Due to the low level of financial education, communication with clients about what is fraud and what the consequences are is essential.** In particular, defeated fraudsters may be tempted to spread a bad word of mouth in communities. As a consequence, it is essential to run a pilot in the beginning to prepare and test the anti-fraud process. In this phase, cases must be carefully communicated, and consistent measures developed.

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49 — Rehan Butt, Head of Business Development Asia, MicroEnsure, United Kingdom.

When developing a fraud framework, key questions to consider are: "How much fraud can we catch?" (How many instances of fraud can we detect?), "How much does the detection really save?" (What is the volume of fraudulent claims that we can turn down?), and "What is the cost of detection?" (Is the cost of maintaining detection commensurate with the savings?). Ultimately, deciding how much work an institution must invest in establishing fraud policies and training staff to catch it, requires balancing the cost of preventing, detecting and acting against that of saving something that is difficult to achieve.

Fraud management requires a virtuous cycle of product design and features:

First, **design an end-to-end fraud management process,** make sure there is a segregation of duty in the controls, and test it thoroughly during the pilot phase. Second, **keep ahead of fraudsters** by maintaining live selection criteria to investigate fraud (for example, repeat claims for same clients, claims happening within 30 days of inception, etc.). Third, **keep track of fraud detection performance** (false positives) and verify your hypotheses with data collected so as to optimise controls. Finally, use **big data techniques** to dive deeper into client behaviour analysis. This is particularly feasible in solutions where a lot of data is available, e.g. with cross-selling history, or CDR in digital products.

"Don't rest on your laurels." Create a self-improving fraud detection process.

Somewhere not yet expected

In the microinsurance ecosystem, early movers were mutuals and co-operatives. Then the first and large wave came from microfinance institutions. The current second developing wave is of MNOs. The future wave might come from somewhere not yet expected.

Each wave's goal has been to reach the microinsurance customer, who may be at any lifecycle stage signalling the need for protection. There are several life-stage triggers. For the young and single, entering the workforce is the first trigger to consider purchasing credit life and health coverage. When they get married and have children, they start thinking about life insurance and child-care endowment. When they become micro-entrepreneurs, property and commercial coverage are attractive. Much later on, old age triggers funeral insurance.

The reality of targeting people at the initial "honeymoon" phase is that the protection" – even if "meaningful" – is not enduring, sustained or consistent. Nor is it designed to last through the entire lifecycle. Most work and research have improved "operational and process" issues during the "honeymoon period". It is commendable but does not resolve underlying issues.

These superficial approaches have led to almost all microinsurance partnership models being "binary" or based on elementary facts of two types: insurance and what it is bundled with, i.e. loans, utilities, retail or airtime. The binary model does not recognise the "valency" of the element serviced, that is, the measure of the customer's combining power.

50 — Left to right: Krishnan Venkatachalam, Head of Microinsurance, AIG – American Insurance Group; Gilles Renouil, Director, Microinsurance, Women's World Banking, United States; Michael McCord, President, Microinsurance Centre, United States.

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Parallel session 5
Improving
business processes

The existing binary bonds and partnerships remain weak and vulnerable, demonstrating the "Planck's constant" that the outcomes can only be transferred in "quanta" or small units. The customer has ongoing interactions with multiple players, presenting an opportunity to fill all the valencies and enhance the microinsurance offerings (see Figure 12).

Strong multi-partnerships leverage core strengths and create shared value. Today's economy is undergoing a convergence continuum, emerging from three stages: the small-scale single-focus/country partnership; a multi-stakeholder replicable coalition; and an issue-based platform, a joint offering that addresses a specific development need providing a holistic longer-term solution. Microinsurers at this stage are going digital to leap and build scale.

In the upcoming next stage, sector boundaries will evaporate, with new organisations focusing on financial, social and environmental impact that delivers positive social goods at scale and at profit. As the microinsurance sector continues to evolve toward the next level, practitioners could track their responsiveness through a value-based progress monitor.

Lessons learnt

- Robust and efficient processes are the key to microinsurance growth.
- Minimise costs of enrolment, filing, servicing, partner training and claims, by using WhatsApp.
- To control fraud, use local knowledge, segregate responsibility and build expertise: "looks genuine" is not enough.
- Adopt the collaborative multi-stakeholder model, bringing into play various supportive competencies that can deliver a holistic solution.

Figure 12
The periodic table for microinsurance
Multi-stakeholder partnership is key: Right alchemy matters – more than "bond" may be necessary.
Every element in this table has unique characteristics and important for right mix & match.

Source: Venkatachalam, Krishnan. Presentation "The current state of microinsurance – Learnings from quantum mechanics & the periodic table". 12th International Microinsurance Conference 2016.

Parallel session 6

Insurance against disasters

Disaster risk insurance has lower enrolment than other forms of insurance, such as health, life, or crop insurance. There are several reasons for this on the demand side. The session looked at challenges and successes of expanding microinsurance against natural disasters for the poor.

Among reasons for low take-up the foremost is **less awareness and knowledge of, and trust in, property insurance against disasters than other forms of insurance.** Second, this lack of knowledge can be due to the greater difficulty in explaining disaster insurance, especially if it relies on proxies, as in weather index insurance. Third, informal risk-coping mechanisms are often preferred to formal insurance.

On the insurer side, disaster insurance is often hampered by a lack of strong and reliable financial infrastructure and distribution channels, limited incentives to expand coverage, relatively small risk pools (which constrain scale), shortage of actuarial data, and high costs of distribution and claims settlement processes.

Scaling up disaster insurance

In Zambia, there are insurance aggregators working with contract farming (cotton, soya, legumes, maize), farmer unions and co-ops, and the government's national input subsidy scheme. **The difficulty that low-income farmers have paying premiums is overcome in several ways: by bundling insurance costs** with the purchase of inputs or the distribution of loans, by deducting premium payments from harvest sale proceeds, and by paying premiums in instalments.

In order to deliver the insurance, **good sources of data must be available.** Insurers are relying on satellite weather data, relevant GPS for reference points, and public and private sources of yield information and crop calendars. In order to build disaster risk insurance in Zambia, it is necessary to have a plan for at least semi-regular pay-outs. When there are no pay-outs for, say, ten years, it can be difficult to get people to keep buying insurance. This means that it may be necessary to tailor products for medium risks, rather than catastrophes.

51 — Jonathan Boudreau, Project Manager, FADQDI, Canada.

52 — Ayandev Saha, General Manager, K.M. Dastur Reinsurance Brokers Pvt. Ltd., India.

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In Mali, Canada's FADQDI (Financière agricole du Québec – Développement international) is testing an **area yield index insurance** product for rice in order to increase the scope and availability of insurance for natural and climatic risks. Its project FARM (Financement agricole et rural au Mali) is based on the findings of a feasibility study for crop insurance in the West African Economic and Monetary Union. The study characterised agriculture in Mali, focusing on the country's geography and climate, its agricultural and insurance sectors, its risk profile, and the existing value chains.

Area yield insurance for rice assumes homogeneous production areas wherein farmers are indemnified for yield losses. This requires the collection of historic datasets for yields per area. Risk assessment should become more accurate over time because the historic datasets continually improve as the insurers collect yearly yield data themselves. The cost of the data recollection must be shared with other stakeholders involved in agricultural development in order to keep the insurance product affordable for farmers. With good sampling plans, it is expected that the basis risk will be low. It must be kept in mind that crop insurance is only one part of agricultural development, along with access to finance, the development of cooperatives, establishment of early warning and response, and the strengthening of extension services. It is expected that the area yield insurance project in Mali will reduce exposure to natural risks because farmers' solvency is protected, allowing them to access more financial products.

Supplementing disaster insurance

As a supplement to insurance for disasters, it is also important to reduce exposure to hazards. This can allow for lower insurance premiums and a corresponding increase in access to cheaper insurance.

One example is promoted by the Buoyant Foundation Project: the use of floating homes to prevent losses from floods (see Figure 13). A floating house is one that is able to move up and down with rising waters by means of inflatable bladders attached to the foundation of the house. Such houses – an example of amphibious architecture – typically sit on the ground, but float when there is a flood. They have been used in the Netherlands since 2005, and in rural Louisiana, in the southern United States, for over 40 years.

Figure 13
Amphibious architecture as an alternative flood mitigation strategy

Source: English, Elizabeth C. Presentation "Amphibious Architecture: Where Flood Risk Reduction Meets Climate Change Adaptation". 12th International Microinsurance Conference 2016

This adaptive flood risk management strategy is about letting water control the situation during a flood rather than trying to control the water. Floating houses can be contrasted with Permanent Static Elevation, wherein the house is always raised above the water. Such a setup has several disadvantages compared to floating homes, including its greater access difficulty, higher expense and increased vulnerability to wind damage.

Lessons learnt

— Compared to health, life and crop insurance, relatively few people buy property insurance against disasters – in part because strong informal risk-coping mechanisms are preferred to formal insurance.

— To increase the scale of disaster risk insurance, pay for medium risks, not catastrophes. With no pay-outs for ten years, for example, it may be hard for people to keep buying the insurance product.

— For low-income farmers, bundle insurance costs with input purchases, loan disbursement, and harvest sale proceeds.

— Prevention measures, such as use of floating homes, remain key to keep insurance affordable.


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53 — Agrotosh Mookerjee, Consultant Actuary, Risk Shield Consultants, Zambia.

54 — Prof. Elisabeth English, University of Waterloo, Canada.

55 — Dirk Reinhard, Vice Chairman, Munich Re Foundation, Germany.

Parallel session 7

Actuarial capacity and the implications for regulation

Hosted by the International Actuarial Association (IAA)

There is a lack of actuarial skills in most developing insurance markets, and it is often considered a barrier to developing financially sound inclusive insurance markets. To what extent should actuaries really be involved in microinsurance, and does that involvement matter to regulators? Looking into this, the session presented initiatives by the IAA and the IAIS to increase the supply of suitably qualified actuaries specialising in low-income markets.

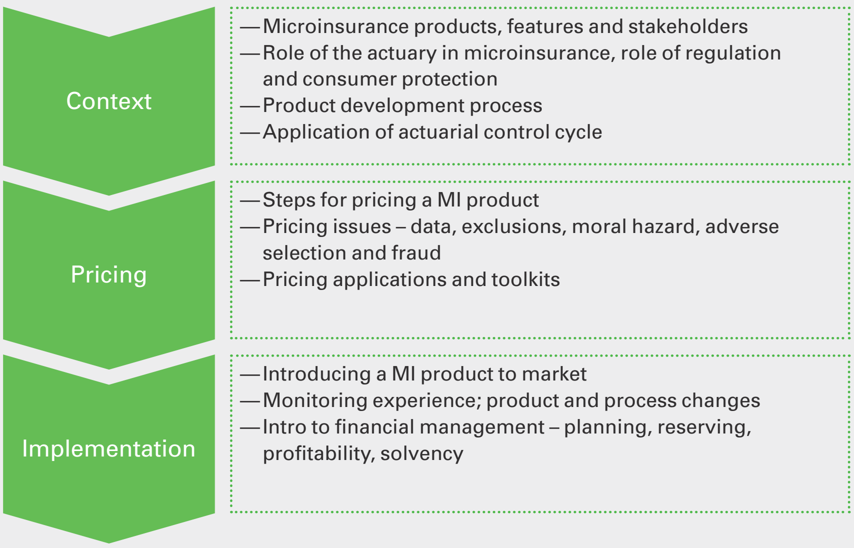
Microinsurance products tend to be less risky than traditional insurance. Does this lower level still require the kind of statistical analysis, evaluation and projections actuaries can bring to bear on pricing and managing risk? It is a critical call as too little actuarial oversight can lead to inadequate risk management, leaving low-income consumers unprotected and the industry underdeveloped. Counting on a high degree of actuarial support (even if available) would also hamper market growth, with its cost potentially making products unaffordable.

So, as with regulation in general, it is all about striking the right balance and defining actuarial involvement and requirements proportionate to the risks at stake.

Finding the right balance

Based on this principle of proportionality (see Box 4), the IAA and the IAIS are collaborating to develop appropriate regulatory frameworks for actuarial involvement in inclusive insurance markets (see Box 5). The IAA (via the UK Institute and Faculty of Actuaries) is also designing a basic actuarial course aimed at increasing actuarial expertise among microinsurance practitioners who do not have an actuarial background (see Figure 14). Furthermore, educational pricing tools and supporting materials are being developed and improved for simple health, credit life, non-life and agricultural insurance covers.

Figure 14
Certified actuarial analyst
Outline of proposed microinsurance course



Source: Yan, Henry. Presentation “Actuarial capacity in microinsurance”. 12th International Microinsurance Conference 2016.

Box 4
Deliverables of joint project by IAA and IAIS

— Development of an IAIS Application Paper on “Proportionate Prudential Requirements in Inclusive Insurance Markets” (to be supported by the IAA).

— Development of an IAA paper “Approaches to Actuarial Services in Inclusive Insurance Markets” (to be supported by the IAIS).

Source: van den Broeke, Peter. Presentation “IAIS work on actuarial services in inclusive insurance”. 12th International Microinsurance Conference 2016.

Box 5
Principle of proportionality

— Supervisory measures should not go beyond what is necessary to achieve the supervisory objectives.

— Tailor supervisory requirements and actions so that they are commensurate with the nature, scale and complexity of risks.

— Proportionate approach should assist in promoting financial inclusion and market development objectives (preventing unnecessary barriers to access to insurance).

Source: van den Broeke, Peter. Presentation “IAIS work on actuarial services in inclusive insurance”. 12th International Microinsurance Conference 2016.

56 — Denis Garand, President, Denis Garand and Assoc. Canada (left), facilitating the session.

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None of these activities are meant to create a monopoly for qualified actuaries. The purpose rather is to determine and **develop the level of actuarial expertise and qualifications really needed in microinsurance. The most important question here is: What does the pricing person need to know?**

While panellists agreed that non-actuaries can do the pricing for simple products such as credit life, the opposite might be the case for complex long-tail products with high sums insured (see Figure 15). After all, it is all about the risk experience and the ability to truly understand a given set of risks. Importantly, this not only includes the understanding of data (that actuaries are usually so focused on), but also the data's context. Context matters, and using actuarial reports in a different context is dangerous as it can lead to erroneous conclusions. Panellists reported cases in microinsurance where actuaries got the pricing completely wrong, precisely because they did not understand the context of their data.

Being a qualified actuary is neither a necessary nor sufficient condition for being a pricing person in microinsurance. However, significant expertise is needed to manage risks adequately and that this expertise does include an actuarial skillset.

There is no clear picture yet of what exactly this skillset needs to contain. And that underlines the importance of the joint efforts by the IAA and IAIS in defining proportionate actuarial standards for inclusive insurance.

Lessons learnt

- Pricing reports should always be done to make pricing transparent. But it does not necessarily need to be an actuary who writes that report.
- For everything one does or assumes while pricing, one should be able to say why one is doing it.
- Actuarial skillsets necessary for microinsurance need to be defined. The most important question is: "What exactly does the pricing person need to know?"
- Regulators should take into account that in microinsurance the operational risk can be much more significant than the net risk.

Figure 15
When might you need an actuary?

Business complexity ↓ / Product complexity →	Low	Medium	High
Low	Don't need an actuary	Might need an actuary	Need an actuary
Medium	Might need an actuary	Might need an actuary	Need an actuary
High	Might need an actuary	Need an actuary	Need an actuary

Under discussion by IAIS-IAA working group

Source: Yan, Henry. Presentation "Actuarial capacity in microinsurance". 12th International Microinsurance Conference 2016.

57 — Left to right: Henry Yan, Chair of Microinsurance Working Group, Institute and Faculty of Actuaries, United Kingdom; Nigel Bowman, Chair of the Microinsurance Working Group, International Actuarial Association, Canada; Peter van den Broeke, Member of the Secretariat, IAIS, Switzerland.


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Parallel session 8

Unlocking demand: how to deliver value to your customers

Hosted by ILO's Impact Insurance Facility

The key to unlocking demand is to understand customers, partner with them and then jointly develop and test an insurance programme tailored to their reality. That was the conclusion presenters in this session reached as they looked into how a micro life insurer has achieved scale and the case of a multinational beginning to focus on emerging customers.

Understanding customers means gathering information on what their lives are like, where they live, who their families are, what their incomes, assets and expenses are, the risks they face and how they cope with them.

Low-income clients will experience more chaotic cash-flows than upper- and middle-income clients. They will also have to make more frequent financial decisions and often on a daily basis. Their low, irregular incomes and few assets make it difficult and even more important to manage risk. They usually don't use long-term management solutions but rely on multiple informal and formal tools.

Putting value on claims

CARD Pioneer, a microinsurance provider in the Philippines, has developed life products for low-income clients. It started in 2009 with 20,166 clients, a number expected to reach 20 million in 2016.This impressive growth has been due mainly to the focus put on the customer, the distribution network put in place through partnerships, the design of affordable but not cheap products, and the unlimited risk-taking and autonomy of staff.

CARD Pioneer has put the claims process and experience as its most important value proposition, knowing that when clients are asked what they want, the most likely answer is: "Pay our claims." **The company's claims process allows paying claims in five days, with no hard documents required.** The company's distribution network is vast and relies on more than a hundred different partnerships. With better sales volumes there are more opportunities to pay claims. And each time a claim is paid, more clients come.

CARD Pioneer believes that an insurer getting into microinsurance should create a separate team with its own profit and loss statements. Microinsurance is different from standard insurance, and its team should have the authority to underwrite products and settle its own claims. And the team should be composed of young professionals dedicated to an experimental and entrepreneurial culture.


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58 — Geric Laude, President and CEO, Card Pioneer Microinsurance, Philippines.

59 —Quentin Gisserot, Project manager – emerging consumers, AXA France.

Aiming at emerging customers

The AXA Group in 2016 introduced its Emerging Customers insurance offer across high-growth markets. It also increased to 46% its stake in MicroEnsure, a leading microinsurance specialist serving more than 48 million clients.

How AXA characterises an "emerging customer" is spelled out in Figure 16, as well as elements of its value proposition and impact measurement.

AXA recognizes that **microinsurance cannot be a miniaturised version of insurance. It has formed a dedicated central Emerging Customers team to lead the new enterprise.** The starting point is specifically tailored products.

Figure 16
Emerging customer characteristics

Source: Gisserot, Quentin. Presentation "Unlocking Demand - Delivering Value to our Customers". 12th International Microinsurance Conference 2016.

To achieve efficient delivery of products, the team is aiming at partners interested in long-term commitment, and sharing the social views associated with microinsurance. To measure impact and provide quality ranking by product or initiative, the team is developing product guidelines and a grading toolkit. Included are key performance indicators (KPIs), such as turn-around time for a claim, claims rejection ratio, and use of add-on services, etc. Full-fledged impact studies are planned to help understand customers' expectations and feedback. Using real customers in focus groups, the team will measure success over the initial objective, which is to drive social impact through business performance. For the time-being, though, the team's focus is on unlocking demand through five steps:

— Provide low-cost, simple and valuable products
— Deliver insurance with additional benefits
— Provide a frictionless customer experience
— Incentivise interaction
— Progressively complement coverage

Lessons learnt

— The major difference between upper/middle income and lower-income is regularity of cash flow and frequency of financial decisions. Lower-income families have to manage risk daily, not monthly or annually as upper/middle income families do.

— Microinsurance should be customer-driven. Focus on the customer rather than on product. The customer should be a partner in the development of the product.

— Distribute your product through like-minded partnerships Involving long-term commitment.

— Microinsurance should be managed by a separate team that has the authority to underwrite policies and settle claims.

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60 — Aparna Dalal, Senior Research Officer, ILO, Hong Kong.

61 — Strong interest in understanding demand was shown by a full session.

Plenary 3

Microinsurance: A business or a charity?

Hosted by IASL/IIS

Panellists' answer to whether microinsurance is a business or charity was unanimous in this plenary: microinsurance functions most efficiently and accomplishes its goals best when it operates as a business. If microinsurance is treated as a business, more insurers will join the ranks, resulting in more low-income people having the benefit of a formal risk management scheme.

Debating the question

To figure out whether microinsurance is a business or charity, it is necessary to first define the terms:

— *Microinsurance* is a financial arrangement to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.
— A *business* is an organisational entity involved in the provision of goods and services to consumers. Businesses may also be social non-profit enterprises or state-owned public enterprises charged by governments with specific social and economic objectives.
— A *charity* is an entity involved in the voluntary giving of help to those in need, as a humanitarian act.

Juxtaposing insurance and charity brings out the many ways in which they differ. Insurance is about risk management where policyholders need to carry some of the consequences of the risk so they may make the best behavioural choices.

A charity, however, allows the recipient to be free of the consequences of ignoring risks, which can lead to bad decision-making. Moreover, charity is about relying on a third party, and its benefits are hard to quantify.

Even though **insurance is not a charity,** it does not mean that there is no place for the government to be involved. For example, in the three components of support for agricultural insurance – design, promotion, and sustainability – there is a role for both public and private entities. While **the key role of private entities is to increase efficiencies** and harness commercial goals, the key role of public entities is to address the systemic component of agricultural risk and smooth the informational asymmetries[3] to ensure a thriving agricultural market.

62 — Sivam Subramaniam, Editor-in-Chief, Asia Insurance Review, Singapore.

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Informational asymmetry occurs in economic transactions where one party, such as the provider of a service, has more or better information than the other, such as the buyer, creating an imbalance of ability and influence.

One role of the government is illustrated by the difference between spot loss and systemic loss. Moving from loss at a particular place or point toward a widespread or common systemic loss increases the overall loss cost and makes it more likely the government will be involved. So there is a particular need in agricultural insurance for government support. And this need is compounded in agricultural microinsurance, as volatility and basis risk increase with insurance policies narrowing in scale from the national level to the farmer level.

However, it is necessary to **avoid having government subsidies turn the insurance product into what is essentially a charity.** As an example of this, there is a national scheme in Thailand where premium costs are the same across the country despite varying levels of experienced risks and average loss costs (see Figure 17).

The product is so heavily subsidised that it is almost free. The lesson here is that insurers must build real insurance products no matter who is shouldering the burden of the premiums. A lot of what is called insurance is bad business or a charity, with the result that insurance failures prejudice consumers against future insurance purchases.

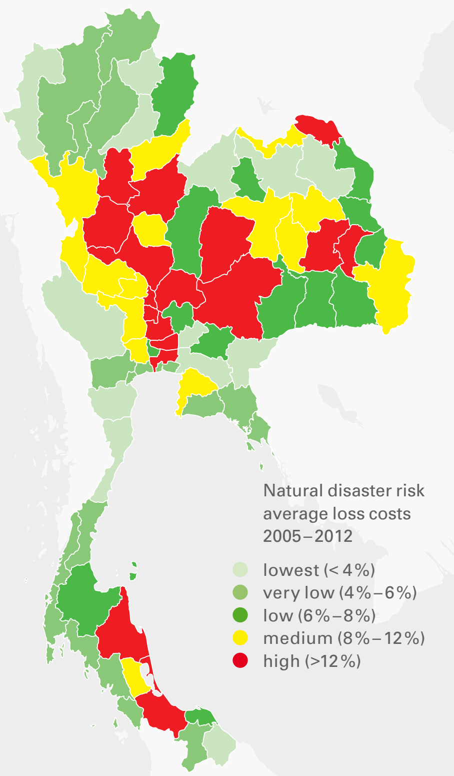
Microinsurance is insurance for the poor

The poor need insurance more than the rich. A well-to-do family, for example, may undervalue life insurance because it also has assets which will help after a death. A poor person will benefit much more in having access to insurance. And the poor are better off relying on formal insurance than charity, because **an act of charity is not sustainable in the long run.**

To make insurance sustainable it must be affordable to the low-income customers. And it must be profitable for the insurer. Insurers must also take into account the fact that developing microinsurance products is an investment both in the country they are operating in, and in their own business. This is because today's micro customers can be tomorrow's mainstream customers.

Figure 17
Excessive rate smoothing

- Example is Thailand national disaster scheme for rice
- Average loss cost for lowest zone is 2.91%
- Average loss cost for highest zone is 15.63%
- Despite wide variance in risk zones parallel insurance program is flat rated across country
- Creates disincentive for farmers in low risk zones and encourages take-up in high risk zones – antiselection
- Saving factor in 2016 is that insurance for loanees is free (quasi compulsory)
- If not compulsory program would become unbalanced and unsustainable



Source: Book, Peter. Presentation "Agriculture Microinsurance – a business or charity?". 12th International Microinsurance Conference 2016.

Plenary 3
Microinsurance:
A business or a charity?

There is significant opportunity for growth in the microinsurance sector because most of the small businesses have no insurance. In Sri Lanka, for example, three-quarters of micro-enterprises have no insurance. To achieve higher microinsurance penetration, community organisations can take on the responsibility for collecting premiums, managing claims, and mobilising new members. Moreover, an IFC Market Study of Insurance Demand in MSMEs found in 2012 that a third of MSMEs thought that they did not need insurance, and a quarter did not trust insurance companies or their insurance schemes. Insurers can overcome these two barriers by creating awareness and enhancing understanding of insurance using traditional and social media, outdoor promotions and face-to-face interactions at the community level.

Lessons learnt

— Microinsurance can best help achieve the social purpose of protecting the poor when it operates as a business.

— Government support is important, but it is also necessary to avoid having any subsidies turn an insurance product into a charitable scheme.

— It is important to offer micro-insurance because the poor need insurance more than the well-to-do. The rich may not even need insurance.

— The main reasons for MSMEs not buying insurance: high cost of insurance (39 %), perceived non-necessity of insurance (33 %), and lack of trust in insurance companies or their insurance schemes (25 %).

— Higher penetration can be achieved by having community organisations responsible for collection of premiums, claims management, and mobilisation of new members.

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63 — Peter Book, Head of Agriculture/Business Development Asia Pacific, Allianz Re, Singapore; Manjula de Silva, Chairman, National Insurance Trust Fund, Sri Lanka; Max Bergmann, Managing Director of BIMA, Sri Lanka.

Agenda

17 November 2016 Morning sessions

Parallel session 9

Mobile insurance

Innovative distribution models that increase outreach to emerging customers

Rehan Butt
Head of Business Development Asia, MicroEnsure, United Kingdom

Mitigating the risk of mobile insurance products: The Ghana case study

Michael Andoh
Head of Supervision, National Insurance Commission, Ghana

BIMA and the "Pacific Way". Mapping the BIMA journey in PNG and beyond

Simon Schwall
Project Manager – Pacific, BIMA, Israel

Facilitator
Herman Smit
Engagement Manager, Cenfri, South Africa

Parallel session 10

Developing index insurance markets in Asia
Hosted by the IFC/Global Index Insurance Facility (GIIF)

Farzana Chowdhury
Managing Director, Green Delta Insurance Company Limited, Bangladesh

Bisma Subrata
Director, PT Reasuransi Maipark, Indonesia

Indika Kiriwandeniya
General Manager, SANASA Insurance Company, Sri Lanka

Geric Laude
President and CEO, CARD Pioneer Microinsurance, Philippines

Facilitator
Vijay Kavalakonda
Sr. Financial Sector Specialist, World Bank Group, Indonesia

Parallel session 11

Women in inclusive insurance markets
Hosted by GIZ

Susanne Ziegler
Advisor, GIZ, India

Gilles Renouil
Director, Microinsurance, Women's World Banking, United States

Peter Wrede
Senior Insurance Specialist, World Bank Group, United States

Tripti Sethi
CEO, Vimo Sewa, India

Facilitator
Anke Green
Advisor, Access to Insurance Initiative, Germany

Parallel session 12

(Social) Health

The role of Social Health Insurance in protecting low income and vulnerable people and its place within the broader health financing environment

Michael Weilant
Principal and Consulting Actuary, Miliman, United States

Dr. Amal Harsha De Silva
Deputy Director General (Medical Services), Ministry of Health, Nutrition and Indigenous Medicine, Sri Lanka

Facilitator
Denis Garand
President, Denis Garand and Assoc., Canada

Parallel session 13

New ideas in distribution beyond mobile

Common service centre – rural financial mall in India

Balachandran M K
Assistant Vice President, HDFC ERGO, India

Pawn shops, "Black belts", wholesalers, and more: Pioneer's lessons in innovative distribution

Lorenzo Chan
President, Pioneer Life Inc., Philippines

Retailers, brokers, funeral homes, churches, sports affinity groups and more: Hollard's low-cost agency model

Pravin Kalpage
Head of Direct, Hollard, South Africa

Facilitator
Michael McCord
President, Microinsurance Centre, United States

Parallel session 14

Technology 2: Health
Hosted by the World Bank Group

Tyler Tappendorf
General Manager: Country Operations, Inclusivity Solutions, South Africa

Biju Jacob
Chief Architect and Entrepreneur, Droit Health, India

Jan Martin Hunderi
CEO & Founder, DDFinance, Norway

Facilitator
Peter Wrede
Senior Insurance Specialist, World Bank Group, United States

Parallel session 15

Champions in financial performance management
Hosted by the Microinsurance Network

Isabelle Delpeche
Director, Alternative Insurance Company, Haiti

Masood Safdar Gill
Director, UPAP NRSP, Pakistan

Gayathri Sakthirajan
Chief Executive – People Mutuals, Social Security Initiative of DHAN Foundation, India

Facilitator
Bert Opdebeeck
Microinsurance Programme Coordinator, BRS, Belgium

Parallel session 16

Academic research

Adverse selection in micro-health insurance markets: evidence from a randomised control trial in Pakistan

Andreas Landmann
Postdoctoral Research Fellow, Paris School of Economics and J-PAL, France

Evaluating the welfare of index insurance

Jia Min Ng
CEAR Scholar, CEAR – Georgia State University, United States

Facilitator
Glenn Harrison
C.V. Starr Chair of Risk Management & Insurance Director, Center for the Economic Analysis of Risk (CEAR) – Georgia State University, United States

Parallel session 9 Mobile insurance

The distribution of insurance through a mobile network has allowed a rapid expansion of the industry. This session presented a few examples of microinsurance programmes using this innovative distribution model.

MNOs in Asia, led by MicroEnsure and BIMA, covered 5.21 million lives in 2013. In just three years that number had increased to 40.3 million in 2016 – stunning growth.

Radically simple

MicroEnsure, which in 2002 became the world's first microinsurance intermediary, provides protection against the many risks faced by those living in poverty – risks related to health, assets, accidents and even political violence. It designs, implements and operates mass market products in 12 countries across Africa and Asia. These are **products that meet the technical demands of underwriters, but can be presented to customers in a text message on the mobile phone.** As many as 85 % of its 49 million registered customers were new to insurance when they signed up. Towards the end of 2016, MicroEnsure had paid claims amounting to US$ 28.5m.

MicroEnsure's business model involves three entities: a back office in charge of product design, training, data capture and claims servicing; a front office delivering the product with partners; and a risk carrier, that is, an insurance or reinsurance company. MicroEnsure believes **insurance should have the same acceptance among the poor as any fast-moving consumer goods** (FMCGs) and services: processed food and cell phones, for example, that provide value for money, understanding, relevance to need, and instant gratification (see Figure 18).

Normally, the products are first offered as free insurance to create the market, with a freemium upsell to develop the market and then a retail cross-sell to grow the market.

A notable launch in India in 2015 was Telenor Suraksha, life insurance with airtime recharge, providing SIM cards with free insurance and then a top-up amount to maintain free cover. More than 7 million customers enrolled in the first two months, and 30 million in a year, most of them from rural areas. The claims process is simple and settlement turnaround time seven days. The insurance pays a lump sum in the event of death due to any cause.

Telenor Suraksha (India)

Number of people insured
> 30 million

Insured risks
Life

Premium range
INR 20 (US$ 0.30) for a minimum cover of INR 5,000 (US$ 73.50)

In Pakistan, 63 % of people bear the financial cost of illness by using their savings, borrowing money or even selling household assets. Most of these were unbanked living in rural areas – until 2009 when MNO Telenor, together with a microfinance bank, launched Easypaisa enabling financial transactions at a local shop or through mobile phones. In January 2015, Easypaisa and MicroEnsure teamed up to offer the country's first mass-market health insurance covering inpatient hospitalisation and disability. The product is so simple that is can be explained in less than two minutes, the enrolment, service and claims processes are paperless, and pay-outs are done within hours, using mobile money. Easypaisa Sehat Sahara now has more than 100,000 subscribers.

Figure 18
Radically simple products

Innovative products

Insurance must work like any other FMCG offering
— Explained in full, in two minutes or less
— It must be bought, not sold
— Exciting for the customer base
— Provide fast and helpful customer service
— Flexibility to be customised by the service provider at short notice

Microinsurance defies the traditional insurance rules

- No or minimal exclusions
- No claim forms
- No medical exams
- No or minimal waiting periods
- No long / complicated policy documents
- No ID documents

Source: Butt, Rehan. Presentation "Innovative distribution models to increase outreach". 12th International Microinsurance Conference 2016.

Easypaisa Sehat Sahara (Pakistan)

Number of people insured
100,000

Insured risks
Health and hospitalisation

Premium range
PKR 950 (US$ 9) per annum for PKR 1,000 (US$ 10) per night in hospital (twice that for intensive care), plus PKR 5,000 per week for temporary disability due to injuries

The Pacific way

BIMA, which develops and manages microinsurance products in 15 countries in Africa, Asia and Latin America, has 24 million customers. The BIMA model is customer-centred and its distribution network relies on 3,500 agents who deliver one-to-one education before every sale – building awareness of insurance.

In 2014, BIMA ventured into Papua New Guinea, a collection of some 600 islands in the South Pacific with as many local languages. Though literacy is low and the communication network underdeveloped, the island nation has a deeply rooted culture of wontok (one talk): an informal insurance and social security system where communal benefits are enjoyed by all while everyone contributes to building and sustaining the central source.

BIMA opted for the fast launch of a simple product called "FamilyLife" with a small team, only 10 weeks after landing in the country. The **enrolment is paperless, claims documents can be scanned or sent as a picture, and airtime is used for payment**. In addition to mobile agents, BIMA has a call centre for sales, service and education, teaching clients insurance and even how to send an SMS. The product is attracting 50,000 new customers a month. Partnering with the UN-led Pacific Financial Inclusion Programme, BIMA is expanding to other Pacific countries with a "hub model" to reach smaller, under-served markets.

FamilyLife (Papua New Guinea)

Number of people insured
229,636

Insured risks
Life

Premium range
PGK (kina) 4 (US$ 1.50) per month for PGK 4,000 (US$ 1,300) sum insured

Keeping an eye on the role of players

In Ghana, mobile-insurance (m-insurance) has been available since 2010. There are now six products with 2.7 million policyholders – a 60 % share of the microinsurance market. These products involve three types of players – MNOs, insurers and technical service providers – that are regulated by three authorities: the National Insurance Commission, the National Communication Authority and the Bank of Ghana.

This **multi-regulatory involvement requires strong coordination**. The three regulators are working on market conduct rules, and have jointly developed an m-insurance assessment framework to :

— analyse and assess products before launch, in particular the expected expense ratio, premium slit between the service provider, insurer and MNO; and
— to monitor the claims ratios of mobile microinsurance at the product level to know where to follow-up.

Lessons learnt

— A technically sound insurance product delivered in a text message needs to be radically simple.
— The advantage of using an agent in distributing m-insurance is the one-to-one education of the low-literacy customer.
— With a number of partners involved in m-insurance, regulators need to monitor the sustainability of the programme, ensuring that sufficient money is available to pay claims.
— In some markets, key m-insurance players from various industries are regulated by different bodies, which must work closely to create an enabling environment.
— Mobile-money seems to be the way to go but the transition from airtime would take time, as mobile money is not yet available everywhere.

64 — Left to right: Herman Smit, Engagement Manager, Cenfri, South Africa; Simon Schwall, Project Manager – Pacific, BIMA, Israel; Michael Andoh, Head of Supervision, National Insurance Commission, Ghana; Rehan Butt, Head of Business Development Asia, MicroEnsure, United Kingdom.

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Parallel session 10

Developing index insurance markets in Asia

Hosted by the IFC/Global Index Insurance Facility (GIIF)

Asia may well be the continent with the world's highest exposure to natural hazards, and among the poor affected most are small-scale farmers. Index-based weather insurance (IBWI) is increasingly seen as a mechanism of choice to protect farmers' livelihood and help them rebound. This session reviewed initiatives the IFC and GIIF of the World Bank Group are supporting, with one insurer each from four countries in the region.

Agricultural policy should include insurance

In **Bangladesh,** the IFC project involves its leading non-life insurer Green Delta, and is aimed at developing IBWI products to protect farmers, agribusinesses and institutions lending to farmers from risks such as cyclones, excess rain and drought. Green Delta sees the market as segmented and not yet ready. The main challenges for market development are **a lack of insurance awareness in the agricultural sector, securing a reliable and widespread distribution channel, and limited availability of weather data and technology infrastructure**. At least 300 weather stations are needed, for example, but at the moment Bangladesh has only 42.

Aside from infrastructure, **government assistance is needed** for supportive regulations, and for awareness and capacity building. Agricultural insurance is not embedded in the national agricultural policy, and Green Delta believes a PPP is needed to raise awareness of the essential role insurance plays in developing agriculture, which contributes 20% of the country's GDP and employs close to half the labour force.

The company is also calling for a premium subsidy from government to farmers for index insurance such as the one neighbouring India has had. For a private-sector project itself, though, Green Delta believes that continued subsidies usually end up in failure. So its main priority is to focus on its own capacity building. It is researching crops like cassava and industrial potato, and possible shared use of the telephone company's 33,000+ BTS (base transceiver station) towers. And it has partnered with a nationwide seed company to insure farmers supplying seeds for loss of yield on hybrid rice.

Supplementing traditional insurance

In the Philippines, typhoon-related risks, faced by both farmers and lenders, are the focus of an IFC-supported project of CARD Pioneer. It involves two products.

With poverty levels among farmers three times those for other sectors, CARD Pioneer opted to keep its farmer clients free of the basis risk inherent in index insurance. A traditional indemnity cover was designed for losses from a typhoon or the ensuing flood. There is a "companion" index-based product too – insuring agri-loan portfolios of lenders. While the indemnity cover improves borrowers' risk profile, index insurance – triggered by a typhoon signal from the Weather Bureau – protects and bolsters the lending institutions' financing capacity.

The usual claims-cost burden of an indemnity cover is of no concern to CARD Pioneer. It has a network of 16,000 account offices and 2,000 "mother entrepreneur" agents, so there is no extra cost of infrastructure in claims handling. The company believes that the more claims are honoured and paid, the more farmers start believing in the value of insurance. But claims must be handled right, it says, and must be valid.

Covering earthquake losses

Over the past century, 90 major earthquakes of magnitude 5.0 or greater have hit Indonesia – some 20% of the world's total, according to the U.S. Geological Survey. Of the country's 238 million people, 13 million are in its most earthquake-prone zones, where 54% of its 1,640 rural banks are also located.

With IFC support, PT Asuransi MAIPARK – a specialist reinsurer owned by insurance companies – has on offer a new earthquake-index insurance product to protect banks providing loans to individuals and MSMEs. With this cover, losses from earthquakes will no longer deplete their resources and ability to lend. The index has two parameters: magnitude, using part of the Richter scale from 2 to 10; and intensity, using part of the Mercalli scale from VI to XII (see Figure 19).

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65 — Left to right: Farzana Chowdhury, Managing Director, Green Delta Insurance Company Limited, Bangladesh; Geric Laude, President and CEO, CARD Pioneer Microinsurance, Philippines; Bisma Subrata, Director, PT Reasuransi MAIPARK, Indonesia.

66 — Indika Kiriwandeniya, General Manager, SANASA Insurance Company, Sri Lanka.

As in most emerging markets, designing this index-based product had to overcome the familiar challenges of incomplete data collection and records at local institutions. MAIPARK is calling for a **PPP – preferably involving local governments – to raise awareness** of earthquake risk and insurance, particularly in the rural banking sector. Future plans include capacity-building of selected financial institutions to administer, price and distribute the product in retail.

Best sold on its own

In Sri Lanka, SANASA Insurance, serving a network of 8,500 thrift, credit and cooperative societies and other community-based organisations, launched a weather-index crop insurance product for paddy (un-milled rice) farmers in 2011 and another for tea farmers the following year. Insured perils are drought and excess rain.

Index-based crop insurance SANASA

Number of people insured
21,000 paddy and tea farmers

Insured risks
Drought and excess rain

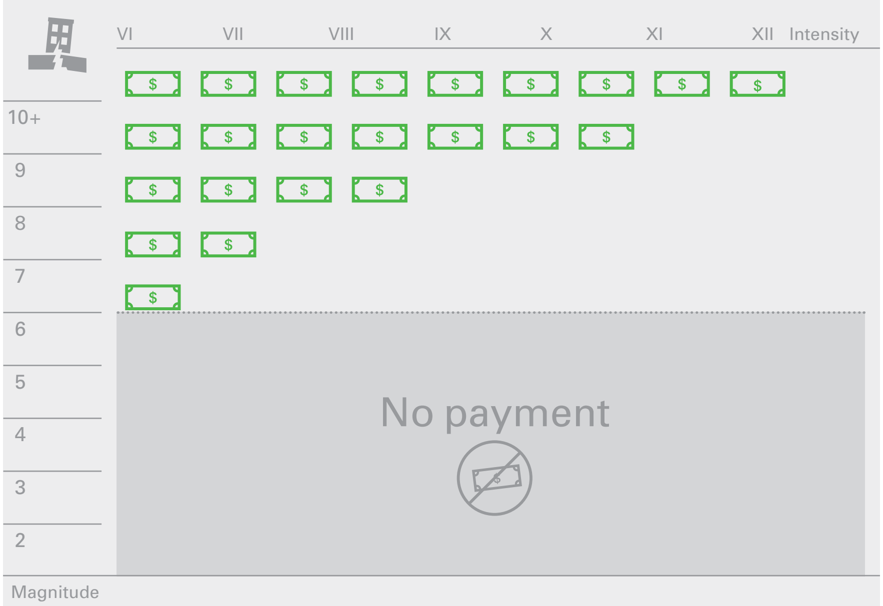
Premium range
10 % of the value of insured inputs or harvest

The key to uptake, in SANASA's view, is not bundling weather insurance with any other product. Demand is high because it is sold on its own: "If you bundle it, you are not selling weather insurance but the other product."

Lessons learnt

- A common challenge in developing index insurance markets in Asia is raising awareness of the risk of natural hazards and the need for insurance.
- Government support is needed for developing infrastructure, regulations, and capacity-building. It is best delivered through PPPs.
- Some markets may do well with basic indemnity cover for small-scale farmers, augmented by index insurance for institutions serving them.
- Prompt and fair claims handling increases trust in the value of insurance.
- Weather insurance is best sold on its own and not bundled with another product or harvest.

Figure 19
Earthquake index insurance (EQII)



Source: Subrata, Bisma. Presentation "Earthquake index insurance Indonesia". 12th International Microinsurance Conference 2016

67 — Vijay Kavalakonda, Sr. Financial Sector Specialist, World Bank Group, Indonesia.

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Parallel session 11

Women in inclusive insurance markets

Hosted by GIZ

Women make up most of the world's poor and are an important target group with specific needs and behaviours. Providing access to insurance to women has important development impacts as women are traditionally in charge of protection in the family, and are more vulnerable than men. This session reviewed what is being done, and what could be done, to achieve a greater gender balance in inclusive insurance markets.

To make inclusive insurance available to women in greater numbers, it is necessary to specifically target women and to tailor products and schemes to their particular characteristics and needs. Given that women are disproportionately represented among the poor, access to insurance can help increase their ability to mitigate risks and effectively manage shocks. Inclusive insurance prevents women from relying only on their husbands or extended family and on traditional risk management mechanisms such as selling assets, informal lending – often at high interest rates – or pulling children out of school.

Consequently, inclusive insurance can empower women and generate positive impacts on women's labour and asset productivity, and their children's education and health. This, in turn, contributes to a stabilisation of income and creates conditions that can help to alleviate poverty. Maternal mortality remains a threat for the poorest women. A lack of or low-quality prenatal care has a direct effect on the health of children at birth and throughout life. Given that some of these issues are largely preventable or require treatment, health insurance coverage for low-income women that includes maternity benefits can address a pressing need for women, especially if this health insurance is part of a larger social protection system and backed by the government.[4]

Women typically wait longer to seek medical treatment for themselves than for their husbands or their children. In sub-Saharan Africa, for example, women wait nine days to see a doctor for themselves, while their husbands wait five days, and children are sent for treatment after three days.

One social health insurance scheme that is trying to change such numbers is RSBY (Rashtriya Swasthya Bima Yojana), a national health insurance programme of the Government of India for families below the poverty line. The policy provides hospitalisation coverage for up to five family members, with an annual ceiling of INR 30,000 (US$ 440). The scheme is paperless, cashless, and available to beneficiaries at empanelled public and private hospitals across India. RSBY has had important impacts on women, including:

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Excerpt taken from: GIZ, IFC and Women's World Banking (2016), Mainstreaming Gender and Targeting Women in Inclusive Insurance. A compendium of Technical Notes and Case Studies. Draft for consultation.

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68 — Left to right:
Tripti Sethi, CEO, VimoSEWA, India; Peter Wrede, Senior Insurance Specialist, World Bank Group, United States; Gilles Renouil, Director, Microinsurance, Women's World Banking, United States; Susanne Ziegler, Advisor, GIZ, India.

- the mandatory enrolment of women in RSBY as a spouse; coverage of maternity benefits and provision of healthcare to newborns;
- the ability in some states to enrol women as heads of households;
- increased independence given to women in taking healthcare decisions; and
- greater use of RSBY by women than by men.

Since its inception in 2008, 41 million families have enrolled, and 10.6 million hospitalisations have been covered. In fact, hospitalisation rates in RSBY districts have increased from 1.86% in 2008 to 3.04% in 2016. While this represents much success, significant challenges remain, including the poor quality of health care services. The planned National Health Protection Scheme (NHPS) will address some of these issues.

In contrast to the national scheme, India also provides a model of an exclusive women's insurance cooperative, VimoSEWA, an offshoot of the Self-Employed Women's Association. It is women-owned, women-run and women-led, and sets itself apart from conventional insurers by focusing on its female users' perspective in all its functions, from product design and marketing to claims service and social performance (see Box 6).

Box 6
Advantages of women-inclusive model and its uniqueness

Parameters	VimoSEWA	Conventional insurer
Marketing & education	Women-agents	Mostly male agents
	Door to door contact	No fixed method
	Concept promotion	Product promotion
Product design	Product customisation	Product standarisation
	Affordable pricing	Standard pricing
	Simple & flexible	Complex & rigid
Claim servicing	At doorstep	To go to insurance company
	Hand-holding for claim documents	To arrange claim documents on their own
Process & facilitation	Transparent, simple & reasonable	Jargonised and tedious
	Equal focus on social performance	Focused mainly on financial performance
	More focus on client value	More focus on scaling up

Source: Sethi, Tripti. Presentation "Women in Inclusive Insurance Market". 12th International Microinsurance Conference 2016.

Parallel session 11
Women in inclusive insurance markets

The non-profit organisation Women's World Banking found that health insurance for women can lead to many important changes. These changes can be understood using development practitioner and scholar Martha Chen's empowerment framework:

1. Health insurance for women can help make material change, such as a greater ability to repay loans, avoid additional debt, pay for food and transportation, and buy medicine.
2. It can induce cognitive change, such as a better understanding of insurance concepts, and a better ability to calculate related costs of loan renewal.
3. It can precipitate perceptual change, such as a stronger sense of self-confidence, and a vision of their own future.
4. And it can advance relational change, such as an increased capacity of decision-making within their households.

Recommendations

There are many actions governments, development partners, regulators and insurers can take to promote better-adapted insurance for women.

The first step in producing better-adapted insurance for women is to start by quantifying the market: How many of the clients are women? What policies do they buy, and with what sums insured? How much of the salesforce is women, and how does their portfolio compare to that of the male salesforce? In answering these questions, one can then develop strategies for more inclusive insurance.

Governments play an important role in this regard. By developing financial inclusion strategies, which refer to insurance in general and women's access to insurance in particular, policymakers can ensure that inclusive insurance is given political priority and can provide a strategic direction. To support inclusive insurance for the extreme poor, governments may also subsidise premiums, develop voucher systems, or provide other forms of social assistance. Development partners can support governments in these processes.

Regulators need to find ways to increase women's access to insurance, such as recognising that know-your-customer principles often cannot be applied, because of missing ID or birth certificates, and understanding that women may lack property titles, as these are often issued to their husbands. Regulators also need to discourage unlicensed and unsupervised insurance intermediaries who might take advantage of women. By allowing innovation in delivery channels and payment mechanisms, regulators can help ensure that insurance is accessible for women.

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69 — Anke Green, Advisor, Access to Insurance Initiative, Germany.

Insurers need to design their products from the client's perspective, not the insurer's. This includes designing coverages in health insurance that address women's sexual and reproductive health and rights, such as not excluding maternity. Insurers also need to disaggregate claims data per gender and make sure women claim at the right level; adapt and invest in proper marketing (such as creating product names that resonate, and using simple local language and imagery to counteract low financial literacy); test products with clients to identify pain points and to determine what matters to them, actively talking to clients about their experience and how to improve the product; and have a stronger focus on women who are excluded from society and face double vulnerability, such as widows, women with disabilities and elderly women. (See additional actions in Figure 20.)

Lessons learnt

— Women, who make up most of the world's poor, need products that are tailored to their characteristics, such as their lower financial literacy and mobile phone ownership.

— A focus on women as a client group, the products they prefer, the distribution that is effective, and effective financial education, can catalyse a more rapid and deep insurance market.

— A holistic perspective on women and insurance – which involves all stakeholders and works at all levels, including governments and the private sector – can result in improved development outcomes and improved conditions for women.

Figure 20
Roles of various stakeholders in mainstreaming gender in inclusive insurance
Promoting gender-sensitive approach to inclusive insurance

Regulators

— Encourage gender-disaggregated **data collection and reporting**

— **Promote creation of innovative and price-sensitive solutions** for the benefit of low-income women

— **Encourage flexible distribution models** including the use of mobile technology to further increase reach

— **Regulate intermediaries such as MFIs, CBOs** that women typically interact with and discourage informal operations

— **Institute complaint mechanisms** that protect and are easily accessible by women

— **Adapt KYC requirements** to allow more flexible identification processes to promote access to insurance

— **Champion gender-sensitive** national financial inclusion strategies

— **Promote financial literacy initiatives** that are gender-sensitive

Development partners

— **Facilitate collection and encourage usage** of demand and supply-side disaggregated data

— **Collaborate with insurance companies** that are promoting inclusive insurance for women

— Work with other development partners to **encourage peer learning and share lessons learned,** tools and data.

— **Help build capacity of in-country partners** working on implementing gender-sensitive and women's insurance

Public-private partnerships and strategic collaborations with stakeholders engaged on the themes of gender and inclusive insurance can play a crucial role in ensuring success of the financial inclusion agenda.

Insurers

— **Gather and analyse disaggregated data** to understand the inclusive insurance women's market and to monitor results

— **Adopt a gender lens to create solutions for low-income women** keeping in mind their characteristics and life cycle needs

— **Leverage women agents** to reach low-income women customers who prefer face-to-face interactions and tend to be more comfortable around other women

— **Simplify policy language and claims process** keeping in mind low-income women's financial literacy level

— **Collaborate with inclusive insurance stakeholders on financial inclusion programs** to help improve women's knowledge and awareness of insurance and increase trust

— **Build innovative partnerships** to achieve economies of scale for reaching inclusive insurance women customers

Source: Wrede, Peter. Presentation "Mainstreaming gender and targeting women: Emerging lessons for inclusive insurance". 12th International Microinsurance Conference 2016.

Parallel session 12 (Social) Health

Should societies rely on the public or private sector for the provision and financing of healthcare services for people? This session tackled the question by taking efficiency as a criterion, comparing health expenditures and outcomes in a publicly run system in Sri Lanka with those in a predominantly private sector system in the USA. It then discussed what areas the public sector should focus on and how to move "from illness to prevention" – a paradigm change no society has yet achieved.

The Sri Lankan government offers free healthcare to its entire population. With an estimated 22.2 million people (as of July 2016), the annual public expenditure of LKR 200 billion (US$ 1.35bn), mainly funded by indirect taxes, translates into an annual cost of about US$ 60 per person. Showing good outcomes reflected in some key indicators – life expectancy and infant and maternal mortality rates – Sri Lanka has succeeded in the domain of public health. **Particularly in view of an aging population and the rise of life-long non-communicable diseases, the government does see some need for change in the funding of its healthcare system and is promoting private-sector involvement.** As of today, private healthcare expenditure mainly consists of out-of-pocket expenditures by the richest 10 % of the population.

Towards inclusive health insurance

The USA can be considered as being at the other end of the spectrum, with both the provider and the payer sides mainly in hands of the private sector. Before the ground-breaking legislation of 2010 ("Obamacare"), 40 million people did not have comprehensive health insurance, but merely limited covers for emergencies such as hospital cash or accident insurance, if at all. One problem with the new legislation was that it solely focused on the payer side, i.e. the private insurers, and did not address the healthcare providers, i.e. doctors, clinics, hospitals, etc. As a result, there are no effective controls against price escalations, ultimately leading to a very high cost for society. In fact, when comparing key health indicators such as life expectancy and infant mortality to those of Japan, another industrialised country whose healthcare system is largely financed by public sources, Japan proves much more efficient in spending its 8 % of GDP on health than the USA, which spends a total of 18 % of its GDP on healthcare (see Figure 21).

From illness care to wellness care

Panellists agreed that **healthcare is an unperfected market and needs some regulation and public engagement to assure decent care for the most vulnerable** too. Even before the introduction of Obamacare, basic health insurance covers for the poor and the elderly were publicly funded in the USA.

Prevention and health promotion are priority areas for government intervention and spending – especially as healthcare systems need to gain further efficiency. **People often have unrealistic and irrational demands and providers encourage them to be irrational because they directly benefit from it.** If this dynamic could be changed and doctors, clinics and hospitals were effectively incentivised to promote prevention rather than treating illness, there would be a long-lasting reduction of the cost burden to society. No matter whether a healthcare system is public or private, a true paradigm change is needed: moving from "illness care" to "prevention/wellness care".

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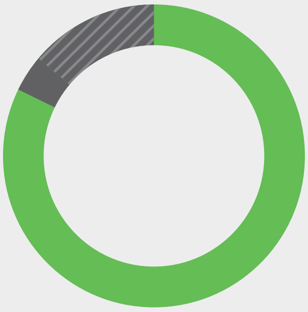
70 — Left to right: Michael Weilant, Principal and Consulting Actuary, Miliman, United States; Dr. Amal Harsha De Silva, Deputy Director General (Medical Services), Ministry of Health, Nutrition and Indigenous Medicine, Sri Lanka; Denis Garand, President, Denis Garand and Assoc., Canada.

Figure 21
Total health expenditure: Why efficiency is important

Japan
10.1 % of GDP total health expenditure



Public expenditure	82 %
Private expenditure	18 %
including OOP	14 %

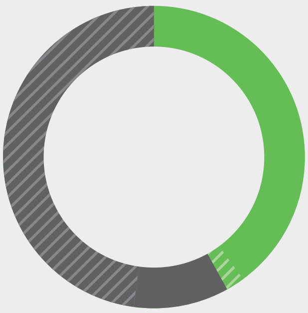
Life expectancy: 83.4
Under 5 mortality rate: 3
Maternal mortality rate: 6

USA
17.9 % of GDP total health expenditure

Public expenditure	46 %
Private expenditure	54 %
including OOP	11 %

Life expectancy: 78.8
Under 5 mortality rate: 7
Maternal mortality rate: 28

Sri Lanka
3.2 % of GDP total health expenditure



Public expenditure	42 %
including external resources	2 %
Private expenditure	58 %
including OOP	48 %

Life expectancy: 74.1
Under 5 mortality rate: 10
Maternal mortality rate: 29

Bangladesh
3.6 % of GDP total health expenditure

Public expenditure	34 %
including external resources	7 %
Private expenditure	66 %
including OOP	63 %

Life expectancy: 70.3
Under 5 mortality rate: 41
Maternal mortality rate: 170

Source: Garand, Denis. Presentation "Health Insurance Efficiencies against Expenditures". 12th International Microinsurance Conference 2016.

Lessons learnt

— Healthcare is not a perfect market and hence needs some level of public control.

— Governments should try to establish effective cost-control mechanisms against the lobby of health providers.

— The role of government and state-supported health financing is critical in protecting the elderly and poor from catastrophic healthcare costs.

— Focus on prevention, moving "from illness care to prevention care."

— Governments should bridge the information/education gap to minimise wrong understanding of health problems and prevent demands of irrational treatments.

— Whether publicly or privately financed, the biggest issue in healthcare is: Is it managed well?

Parallel session 13

New ideas in distribution beyond mobile

Mobile distribution broke new ground in delivering microinsurance to low-income sectors a number of years ago. Meanwhile, new channels not involving mobile technology have also been emerging. This session looked at those non-traditional ways and presented three cases.

Deploying "common pushers"

In the Philippines, Pioneer provides two examples of a novel use of the partner-agent model for distribution. It believes that **distribution involving a partner needs to be driven by affordability, added value to business, and delivery by "common pushers,"** that is, the same staff selling both the partner product and insurance. The insurance product should be designed to be sold at a partner's place of business and to complement the partner's product. One such Pioneer product is sold through pawnshops. Called Alagang Cebuana Plus, it covers accidental death and disability, murder and unprovoked assault, and fire damage. And it is offered by the pawnshop staff after the client has earned money from pawning or made a money transfer. Pay-outs, too, are delivered through the pawnshop branches.

Alagang Cebuana Plus (the Philippines)

Number of people insured
18,657,420

Insured risks
Life, accident, fire

Premium range
PHP 25 (US$ 0.50) per four months, including a minimum cover of PHP 20,000 (US$ 400) for accidental death

Another Pioneer product is sold through Motortrade, a large motorcycle dealer in the Philippines. It combines motorcycle insurance, covering the motorcycle for repairs, with insurance for the rider for personal accident, funeral and hospitalisation. The product, MotorProtect, is offered when clients buy the motorcycle on loan (as most do) and the premium is paid together with the motorcycle amortisation. This partnership benefits dealers who gain additional income from repairs, after-sales service and a reduced number of repossessed units.

MotorProtect (the Philippines)

Number of people insured
55,896

Insured risks
Personal accident, life, funeral, hospitalisation and motorcycle repair

Premium range
PHP 110 (US$ 2) per month for PHP 50,000 (US$ 1,000) accident benefit, PHP 3,000 (US$ 100) funeral benefit, PHP 5,000 (US$ 60) hospitalisation, and PHP 10,000 (US$ 200) for motorcycle repairs

At a rural financial mall

In India more than 65 % of the population lives in rural areas, where **distribution of insurance requires a channel's physical presence, proximity for service, and a trustworthy intermediary to help understand the product.** There, conventional channels of distribution such as MFIs and banks cover less than 25 % of the market.

As part of its National e-Government Plan (NeGP), India has set up 100,000 rural financial malls or Common Service Centres (CSCs) under public-private partnerships. These CSCs are equipped with printers, PCs, scanners, internet access, a digital/web camera and broadband connectivity. They are the front-end delivery points for government, private and social sector services to rural citizens. In each CSC, there is an entrepreneur (a private individual) available to deliver information, act as an authorised representative of various entities and provide services – such as banking, insurance, pension funds, passport, open schooling, data card recharge, mobile bill payments, and e-learning. HDFC ERGO has teamed up with CSCs to distribute insurance in rural areas. The process is simple and can be completed in five minutes. The CSC entrepreneur collects data, uploads documents if necessary, collects the premium, transfers the information plus premium to the insurer, and prints the policy for the customer.

71 — Left to right:
Michael McCord, President, Microinsurance Centre, United States; Lorenzo Chan, President, Pioneer Life Inc., Philippines; Balachandran M K, Assistant Vice President, HDFC ERGO.

72 — Pravin Kalpage, Head of Direct, Hollard, South Africa.

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HDFC ERGO has issued some 100,000 policies since August 2014 through the CSCs. Products offered include motor liability, personal accident, Kissan Sarva Surakhsa (for farmer assets), and fire. It expects to introduce crop insurance, comprehensive motor and health insurance in the next few years.

Letting diversity add value

In South Africa, Hollard has more than 100 partners for distribution, ranging from brokers and lenders to retailers, churches, sports clubs and funeral homes. Hollard's partnership history started 16 years ago with the distribution of hospital cash insurance through a large retailer with more than 1,400 stores and 3.5 million credit account-holders. The insurance is sold in-store, the processes are automated and the billing is done through the partner IT platform. The premium is collected on the back of the credit account.

In South Africa, funeral homes are highly trusted and reach far into rural areas. Hollard offers funeral insurance through them. The premium is paid directly to the funeral homes – no mobile payments as clients prefer to pay cash and receive a proof of payment and policy document. In rural South Africa, this "high touch" has proven to increase the number of long-term insureds compared to no-document policies. Hollard also offers insurance through the largest soccer club in South Africa, Kaizer Chiefs, which has a strong brand affinity and provides multiple points of engagement with its 10 million fans.

Less successful is Hollard's partnership with a church. It has a national presence but no clear leadership for non-church activities, making it difficult to promote and distribute insurance. **A partnership needs to provide added value to both entities and requires a strategic alignment from the start** (see Figure 22).

Lessons learnt

- Insurance distributed through a partner should be affordable, add business value, and sold along with the partner's product.
- Insurance is among services available at rural financial malls, set up in India under PPPs, and give clients what they want in a distribution channel: physical presence, proximity and a trustworthy intermediary.
- Diversity in partnerships adds value and broadens reach.
- In addition to reach, a partnership should be evaluated on the basis of cost, strength of affinity, customer patronage, and control over the value chain.

Figure 22
Success can be measured across multiple factors …

	Retail (e.g. Edcon)	Church affinity (e.g. UAAC)	Sports affinity (e.g. KC)	Funeral parlour affinity (e.g. Covision)
Strength of affinity	Moderate	High	High	High
Distribution and admin cost	Low	High	Moderate	Moderate
Customer ownership (for the insurer)	Low	High	High	High
Reach	High	Moderate	High	Moderate
Ability to control value chain (for the insurer)	Moderate	Low	Moderate	High

Source: Kalpage, Pravin. Presentation "Diversity in Distribution".12th International Microinsurance Conference 2016.

Parallel session 14 Technology 2: Health

Hosted by the World Bank Group

Evidence shows that health insurance is one of the most difficult microinsurance products to get right. To what extent can technological innovations help in providing effective and affordable health covers to poor people? This session explored the possibilities digitisation offers to microinsurance in general, and to health microinsurance in particular.

InsureTech attracted an investment of US$ 1bn in the first half of 2016 alone and is expected to reshape the insurance industry in the coming years. The objectives of InsureTech – to provide new products to new customers in ways that increase their satisfaction while reducing cost – being the same as those of microinsurance, the question arises how InsureTech can also help in increasing the insurance penetration in emerging markets.

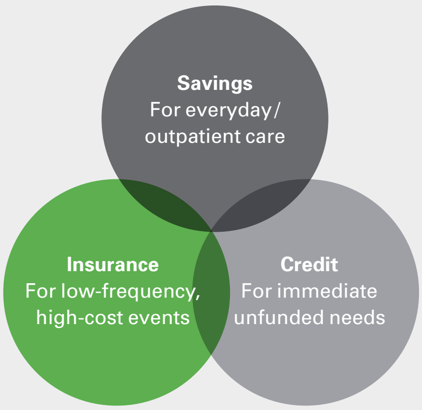
Models on digital platforms

Recent **InsureTech trends address two critical factors for the successful provision of microinsurance, namely trust and cost.** A prime example is the emergence of new peer-to-peer (P2P) insurance models built on digital platforms. They facilitate "organised solidarity" (= insurance) among people who trust one another, while allowing for significant cost reductions. Another good example is blockchain technology which will allow insurance policies to be transformed into "smart contracts" that can execute payments without the need for a middleman such as a traditional claims adjuster.

The cost of manual policy binding and claims handling is too high, and automated determination processes (for policy binding and claims handling) are required.

Combining predictive analysis with the analysis of trust networks (which informal economies are built upon) can allow for such automation, thereby reducing costs in a way that current scalability constraints in micro/mass-market insurance can be overcome. Further digitisation and automation of insurance will continue the move toward building trust and reducing cost. Increased transparency and responsiveness will help raise service levels (and hence trust), as distribution and administration costs are further reduced, and predictive analytics will provide pricing data and lower underwriting and claims management costs. This means that technology is making insurance – and microinsurance – more convenient and more affordable.

Figure 23
Convergence of health financial services
Can three challenging products combine forces for success?



What do I get?

Doctor Access
Chat to a doctor on the mobile phone. Registered doctors are available 24/7, with expert advice. Request a call back, or text a doctor a health question, and they'll get back within the hour.

Health Account
With a Sema Doc subscription, customers get a Health Account, dedicated to help the customer save for health expenses. Money can be transferred from an M-Pesa or M-Shwari account via mobile phones, and saved for any medical expenses.

Health Loans
Sema Doc gives customers access to instant health loans (5% admin fee). They can choose how much they need.

Hospital Cash Benefits
If customers are admitted to a hospital for one night or more, Sema Doc will pay out KSh 5000 (US$ 48), directly to the Health Account.

Health Tips
Customers receive daily health advice sms'ed straight to their mobile phone on a topic of their choice.

hello doctor

Source: Tappendorf, Tyler. Presentation "Insuretech and Health Microinsurance". 12th International Microinsurance Conference 2016.

Bundling healthcare and credit: How to leverage InsureTech innovations for a better provision of health microinsurance

There are possible gains in mainly three areas: better control of the risk, improved health, and a good consumer experience (see Box 7). Recent developments include the use of **telemedicine,** which is established in a number of markets and continues to grow. It can give poor people easy access to valuable medical advice not readily available otherwise. The **bundling of health insurance products** with other value-adding services – financial as well as non-financial – is another trend to watch and promote. One idea floated in the session was to **combine insurance, savings and credit within one single healthcare product** that provides the adequate financing instrument for a range of health expenses, the recurrent as well as the rare and disastrous.

The financial components should be complemented with health tips (via SMS, etc.) and other non-financial value-adding services such as maternity kits for products covering birth complications and early-childhood illnesses (see Box 8 and Figure 23).

One should keep in mind that **health insurance is not "perfectly digitisable"** in the sense that healthcare provision always requires an "analogue" infrastructure at some point, i.e., doctors, pharmacies and hospitals. Telemedicine, for example, is a good start, but consulting a doctor via the phone cannot replace seeing a doctor in person if really needed. Research shows that consumers do not appreciate telemedicine offerings as stand-alone products, but only in combination with other components that allow seeing doctors and getting treatment in hospitals in times of need.

Self-service electronic kiosks

So, health microinsurance can gain a lot from digital technology, but **digital technology alone will not suffice in providing good healthcare for the poor.** In other words, health insurance also needs hardware, not just software.

Box 7
Improving health insurance through technology

— Controlling risk

— Improving linkages between payer / provider / consumer

— Electronic medical records

— Fraud prevention (GPS location, etc.)

Improving wellness / health

— Gamification, to encourage on-line engagement with the product

— Health information

— Discovery South Africa's Vitality model

Delivering a good health experience

— Consumers want transparency and convenience

— Continuity over time for healthcare

Source: Tappendorf, Tyler. Presentation "InsureTech and Health Microinsurance". 12th International Microinsurance Conference 2016.

Box 8
Product proposal – a combination of instruments

— Health care expenses come in two flavours
  — The frequent but not severe ("the constant drip of the tap")
  — The infrequent but severe

— They don't require the same instrument

— Insurance for the infrequent but severe

— Savings for the frequent but non-severe

— (Loans when the savings are insufficient)

— VAS to reduce the overall cost of being healthy …

— … and to add tangibility

— Based on a technological platform that reduces cost, promises scale, and makes the customer experience enjoyable

Source: Wrede, Peter. Presentation "Inclusive InsureTech". 12th International Microinsurance Conference 2016.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73 — Left to right: Biju Jacob, Chief Architect and Entrepreneur, Droit Health, India; Tyler Tappendorf, General Manager: Country Operations, Inclusivity Solutions, South Africa; Jan Martin Hunderi, CEO & Founder, DDFinance, Norway.


74

74 — Peter Wrede, Senior Insurance Specialist, World Bank Group, United States.

Parallel session 14
Technology 2: Health

That is exactly what Droit Health, a start-up in India, tries to do: combining digital technology with infrastructure to build an entire ecosystem aiming at an affordable primary healthcare programme for the poor. Using the heavily frequented corner shops ("kirana shops") as distribution points, Droit Health has devised self-serviced electronic health kiosks, telemedicine units including referrals to physicians and clinics, disease management via electronic medical records, health check-ups and a personalised pharmacy. At the same time, the company offers savings and insurance products to facilitate healthcare financing for its customers. All financial transactions are made using mobile money and a digital platform is used to collect and manage individual financial and health data (see Figure 24).

Lessons learnt

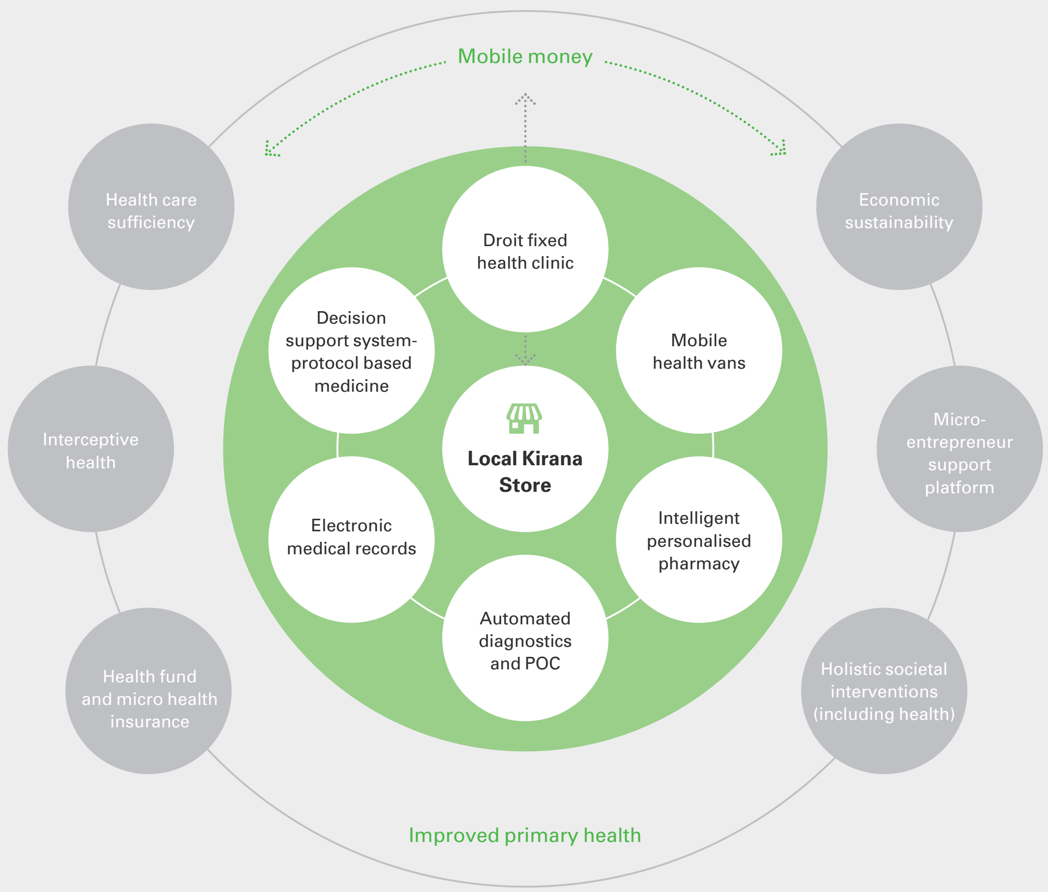
— Entire ecosystems are needed to effectively provide healthcare services.

— Telemedicine via mobile phones is established and growing – and should be further promoted.

— Digital technology alone will not close the protection gap in health insurance, which also needs infrastructure, i.e. hospitals, doctors, pharmacies etc. – (hardware, not just software).

— InsureTech ventures aim to overcome a number of obstacles that explain low outreach of microinsurance in general and health-related microinsurance in particular; it is therefore likely to provide lessons and examples for MI practitioners to improve affordability, customer experience and engagement, service excellence and financial viability. But these lessons will not wait to be learnt – they call for action in anticipation.

Figure 24
Mobile Money



Source: Dr Jacob, Biju. Presentation "Primary care delivery innovation through retail points / kirana shops". 12th International Microinsurance Conference 2016.

Parallel session 15

Champions in microinsurance: how to improve performance

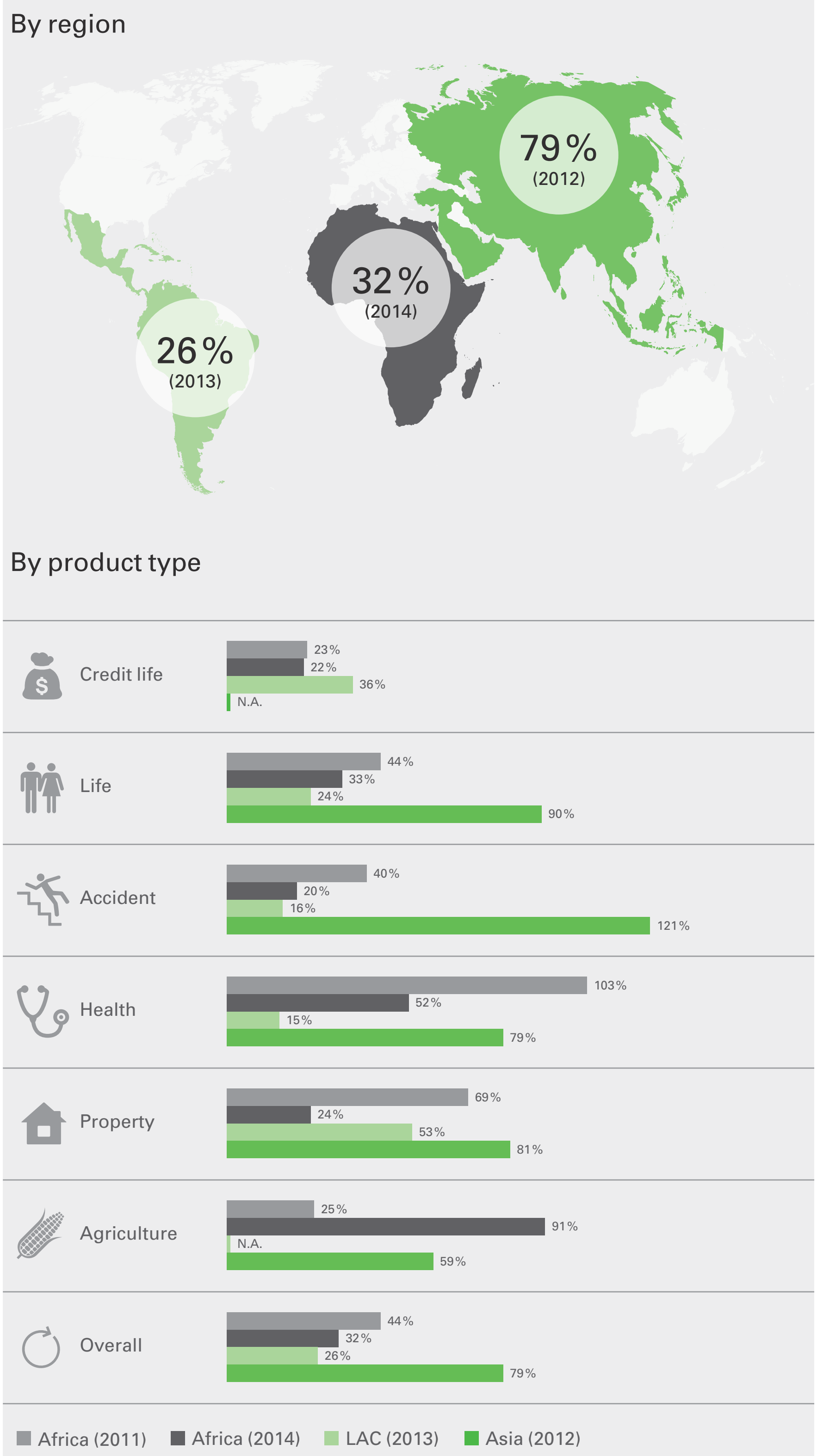
Hosted by the Microinsurance Network

Key performance indicators reported in Landscape Studies led to the selection of three microinsurers featured in this session. They were identified as champions, having done things that are inspirational to others.

The Microinsurance Network, which serves as the global platform for insurance in emerging markets, brings together some 300 experts from more than 90 institutions in 40 countries. Since 2012 it has helped conduct 7 landscape studies. The session began with a recap of some 250 claims ratios reported in the studies (see Figure 25).

Claims ratio, which measures the proportion of premium returned to policyholders in the form of benefits, is a telling performance ratio. If it is higher than expected, is it due to adverse selection, moral hazard, or inadequate product pricing? And if it is consistently low, could it be that the product does not address the clients' needs, or is not delivering value for the premium paid? High or low, either way **it is important to see the ratio's trend over time.** Other factors, of course, also come into play in assessing whether the insurer's overall performance is on course. The three cases presented cover some of these factors and show what can be done.

Figure 25
Aggregate claims ratios reported



Source: World Map of Microinsurance - www.worldmapofmicroinsurance.org.

Parallel session 15
Champions in microinsurance:
how to improve performance

Counting on its own staff

For AIC in Haiti, the 2010 earthquake was a turning point. The insurance industry suffered devastating losses, but AIC stood out as it honoured all its claims, making much-needed payments on time through dedicated help centres. AIC's reserves were depleted, but the investment in claims management enhanced its reputation in the market.

Sales and renewal rates for its micro-insurance products, however, still lagged behind projections. The credit life products were being offered through the government bank BNC (Banque Nationale de Crédit) and two MFIs (FONKOZE and Sogesol), and its flagship funeral cover "Protecta" through an affiliated funeral home network. AIC found that, despite a major investment in training for its cross-selling model involving BNC and MFI staff, the so-called sellers were spending less than 10 % of their time on microinsurance. So the company adapted its model, moving from reliance on MFI and bank staff to using its own dedicated sales staff placed within bank and MFI branches.

The change has increased sales and renewal rates dramatically, by nearly 100 % in four years, while the "coverage ratio" went up from 48.2 % of the target market of bank and MFI clientele to 78.4 %. The company also made other improvements:

— A loyalty promotion which, after three years as policyholders, gives them one year of premium back as a cheque.
— No medical exam for life insurance, but a waiting period of 90 days.
— Age limit for the funeral cover increased from 45 to 55 and then to 70.
— A personalised Protecta for Haitians living abroad, enabling them to enrol their loved ones in Haiti in funeral insurance.
— A drive across the board to increase the proportion of younger policy-holders in the client base.

A solidarity-oriented plan making everyone a partner

In a living example of microinsurance as a solution to problems of vulner-ability, DHAN Foundation's People Mutuals are making it accessible to more than a million poor in India. They link the poor with mainstream insurance companies for different risks at affordable prices – covering health, livestock, and an index-based crop insurance plan linked to 159 telemetric rain gauges in villages across two states.

In addition, a number of mutuals provide term life insurance, filling gaps in the government's social protection scheme which is partially subsidised. While the government's group insurance cover is INR 30,000 (US$ 442.50) for life, or INR 75,000 (US$ 1,106.25) for accident to ages 18–59, for a premium of INR 100 (US$ 1.47), the mutuals' coverage ranges from INR 10,000 to 30,000 (US$ 147.50 to 442.50) for a premium of INR 100 to 247, with no upper age limit for an insured older than 18.

People Mutuals – which are block-based in districts affiliated to feder-ations with a confederation – have pro-poor hassle-free enrolment processes and claim mechanisms overseen by community committees. Compared to the government plan, their renewal rates are high and claims ratios manageable – largely because all clients are also members of their own organisations (see Figure 26).

75 — Left to right:
Bert Opdebeeck, Microinsurance Programme Coordinator, BRS, Belgium; Isabelle Delpeche, Director, Alternative Insurance Company, Haiti.

76 — Left to right:
Gayathri Sakthirajan, Chief Executive – People Mutuals, Social Security Initiative of DHAN Foundation; Masood Safdar Gill, Director, UPAP NRSP, Pakistan.

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Justifying higher-than-normal claims ratios

In neighbouring Pakistan, since 2008 the Urban Poverty Alleviation Programme (UPAP) has offered microinsurance products to protect clients and their families in case of death of a client or spouse. UPAP was set up by the United Nations Development Programme (UNDP) in 1996 and was later judged to be socially and financially viable and linked to the government's National Rural Support Programme (NRSP).

UPAP mainly serves women. Its main product is credit for the development of small family enterprises such as shops, stalls or livestock. It also encourages savings. Clients, organised into groups, save 25 % of their monthly instalment, and once everyone in the group gets a loan, the saved amount of each member is returned to her. Men in the family can also use the credit but they must be family members whose incomes contribute to the family.

The accompanying microinsurance is mandatory and includes:

- credit life: the outstanding loan balance and interest;
- additional benefit: 50 % of the loan amount, to cover funeral expenses; and
- additional life: 50 % of the loan amount.

Claims ratios since 2012 have ranged from 85 % to 92 %. UPAP believes that aspirational goals, if benefits- and clients-oriented, can justify higher-than-normal claims ratios – as long as the overall business operation can remain sustainable.

UPAP/ NRSP Pakistan

Number of people insured
5.3 million

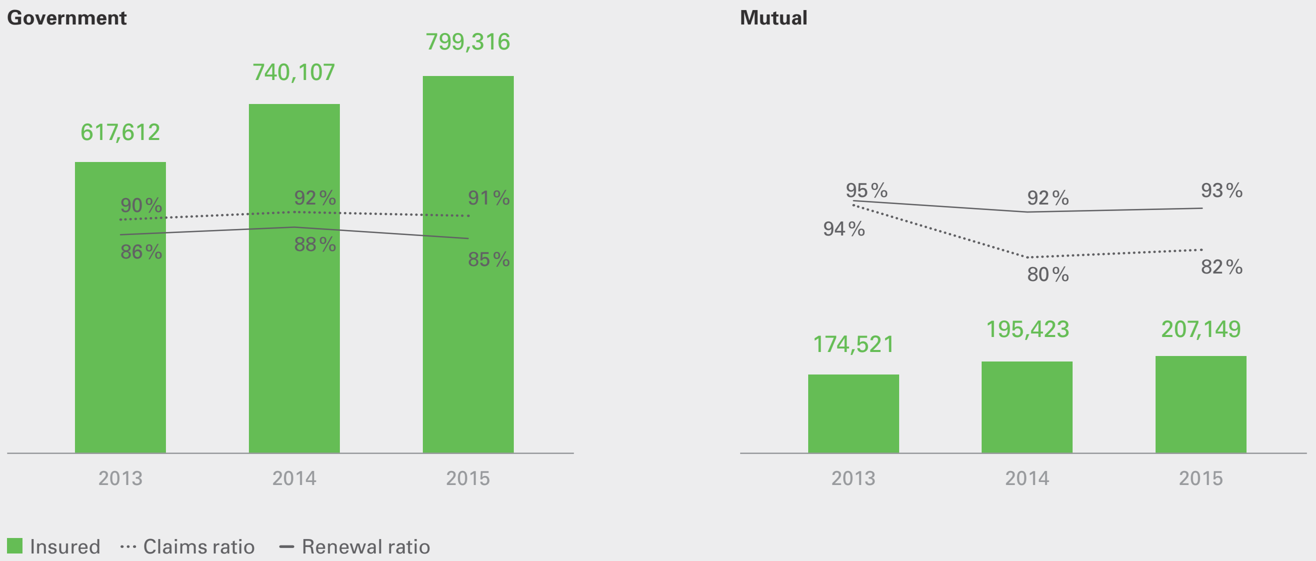
Insured risks
Credit life, funeral

Premium range
0.9 % of loan amount

Lessons learnt

- Change the sales and marketing plan if results are disappointing.
- A greater proportion of younger policyholders can help sustain micro life and health insurance plans.
- Claims ratios need to be monitored over time and the insurance plan adjusted if they are too high or low.

Figure 26
Comparing government and mutual insurance schemes



Source: DHAN Foundation/Opdebeeck, Bert. Presentation "Champions in microinsurance: how to improve performance". 12th International Microinsurance Conference 2016.

Parallel session 16 Academic research

The first of two studies in this session examined the occurrence of adverse selection in microhealth insurance markets, and whether bundling insurance can reduce adverse selection. The other study evaluated the expected welfare gain of index insurance.

Adverse selection in microhealth insurance markets

This study used a randomised control trial (RCT) in Pakistan to examine which risk types opt into health insurance under several contract variations.

An RCT is a study in which different interventions are allocated randomly to certain groups of the target population, much like in a medical trial. The research questions of the study were: How can we identify adverse selection empirically? Is there evidence for adverse selection in simple microhealth insurance contracts? Can contract design (risk pooling) mitigate the presence of adverse selection? And what are the implied welfare costs of adverse selection? The specific innovation analysed in this study was the extension of a mandatory hospitalisation insurance, covering expenses of credit clients and their spouses, to all dependents living in the household. The target group was credit clients from rural Punjab, Pakistan.

The project started at the end of 2014, forming the baseline of the study. There was subsequently a twelve-month rollout, with a phone survey every second month asking the participants about their healthcare experiences and expenses. The study sample consisted of 502 villages, and the insurance for dependents was offered in 334 villages with a total of 4,283 clients from 1,050 credit groups. Altogether 3,433 clients with 12,286 dependents attended meetings where insurance was offered.

As part of the intervention, clients in different villages were offered one of four insurance contracts. The key difference between them was whether individuals, households as a whole, or groups of households were eligible to sign up. Additionally, premium discounts between 0 % and 30 % of premiums were distributed randomly.

The researchers found that among the insured, there was a higher percentage of dependents with negative health characteristics, such as healthcare visits in the past. This translates into substantially higher reimbursement costs for the insured than for non-insured, which is clear evidence for adverse selection. However, in the household plans there was less adverse selection and in the group plans there was no statistically significant difference between insured and non-insured, meaning that adverse selection was essentially non-existent (see Figure 27).

Figure 27
Positive correlation test across products

→ Positive correlation b/w health index and insurance status mainly in P1 and P2

Source: Andreas Landmann. Presentation "Adverse Selection in Micro Health Insurance: Evidence from an RCT in Pakistan". 12th International Microinsurance Conference 2016.

Additionally, there was a change in adverse selection with a change of price. At a lower price, less risky individuals tend to take up insurance such that the risk pool improves with lower premiums. Again, this pattern was less pronounced for household and group plans. The researchers concluded that **there is rigorous evidence for adverse selection in products for individuals and that risk bundling mitigates the problem, resulting in a potentially higher equilibrium welfare in bundled products.**

Evaluating the welfare of index insurance

This study evaluated the expected welfare gain of index insurance, taking into account an individual's risk preferences. Index insurance is a form of insurance where the pay-out depends on a proxy measurement rather than experienced losses. Index insurance, therefore, has a compound risk that consists of both the risk of a bad event occurring – that the insurance product exists to indemnify – and a basis risk that occurs when the pay-out does not match the experienced loss. The compound nature of basis risk reduces insurance policy take-up at the same time that it reduces the welfare in an individual's insurance choices.

The research question was: Are people able to combine risks and understand them as a simple risk? The motivation for the research was to understand how insurance products can be evaluated, and to empirically test theories about how to evaluate welfare.

The study tasked students in a lab to make choices concerning insurance take-up under scenarios where the risks are presented as simple risks, and as compound risks. The choices people made were then compared against their risk profile to see what welfare gains were made. The researchers concluded that **there is a significant difference between predicted and observed take-up. In particular, compound risks result in lower insurance take-up and welfare than the actuarial equivalent.**

Lessons learnt

- There is rigorous evidence for adverse selection in simple microhealth insurance policies for individuals.
- Bundling at the household and group level is a simple and effective measure to mitigate adverse selection, potentially leading to welfare benefits. The compound nature of basis risk in index insurance reduces take-up as well as welfare in individual insurance choices.
- Index insurance has lower take-up and welfare than the actuarial equivalent.

77 — Andreas Landmann, Postdoctoral Research Fellow, Paris School of Economics and J-PAL, France.

78 — Jia Min Ng, CEAR Scholar, CEAR – Georgia State University, United States.

79 — Glenn Harrison, C.V. Starr Chair of Risk Management & Insurance Director, CEAR – Georgia State University, United States.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Agenda

17 November 2016
Afternoon sessions

Plenary 4

Is this microinsurance's Uber moment?
Hosted by Cenfri

Kelvin Massingham
Regional Director,
Hello Doctor (Sema Doc), Kenya

Tang Loaec
P2P, China

Luc Noubissi
Senior Insurance Specialist,
CIMA, Gabon

Facilitator
Doubell Chamberlain
Managing Director, Cenfri,
South Africa

Plenary 5

Conference close and next steps

Closing remarks

Jagath Alwis
Chairman of the Organising Committee, Ceylinco Insurance,
Sri Lanka

Damayanthi Fernando
Director General,
Insurance Board of Sri Lanka,
Sri Lanka

Michael McCord
Chairman of the Board,
Microinsurance Network,
Luxembourg

Welcome of the
13th International Micro-insurance Conference

Eduardo Morón
President, Peruvian Association of Insurance Companies –
APESEG, Peru

Facilitator
Dirk Reinhard
Chairman of the Conference Steering Committee,
Vice Chairman,
Munich Re Foundation,
Germany

Plenary 4

Is this microinsurance's Uber moment?

Hosted by Cenfri in partnership with Financial Sector Deepening (FSD) Africa.

New players making extensive use of technology have fundamentally changed industries such as private transport and accommodation, transforming them from provider-centric to consumer-centric. Will technology eventually do the same to (micro) insurance? And, if yes, where will the disruption come from?

Largely thanks to developing mobile distribution channels, microinsurance has experienced significant growth over the past years in the number of people covered. But large parts of this market coverage pertain to compulsory group policies, while the development of voluntary retail markets remains a largely unmet challenge (see Figure 28, showing stages of insurance market development, starting with commercial or business covers).

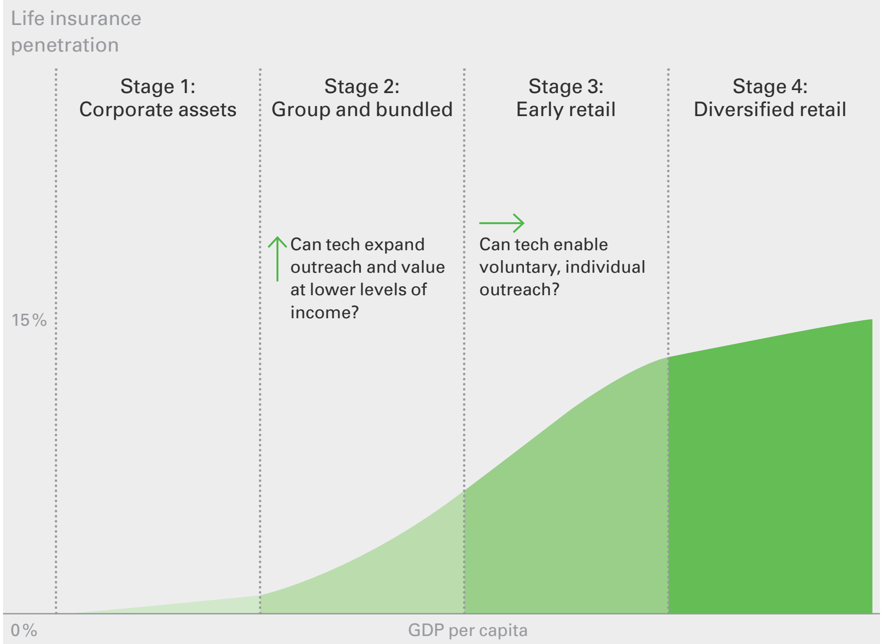
A vast majority of the microinsurance target group still does not consider insurance to be a convenient risk management tool worth buying – and possibly not even the emergence of mobile insurance will change that.

So, the question is whether a more comprehensive new insurance model fuelled by technological innovation can create customer value enough to change these dynamics. The plenary opened with two examples of promising new insurance models.

Community-based, mobile-focused

P2P Protect Co., founded in Shanghai and in a US FinTech joint venture with Kuber Inc., offers **Tong JuBao,** a self-governing peer-to-peer insurance platform where users define the rules of engagement and determine which risks to share within the community. Users can address the community with a need (i.e., a risk he or she wants covered), and if the community accepts it, a corresponding product is developed. Risk being shared and not transferred to an insurer, the community always gets back 75% of the premiums, either via claim payments or, in case of a remaining surplus, via a premium refund. The platform underlying this radical approach to insurance makes extensive use of technology and is mostly mobile-focused.

Figure 28
Why should we care?
The evolving role of tech in insurance market development



Source: Chamberlain, Doubell. Presentation "Is this microinsurance's Uber moment?". 12th International Microinsurance Conference 2016.

Plenary 4
Is this microinsurance's
Uber moment?

Another alternative to traditional insurance based solely on risk cover are models offering a range of mechanisms to actively prevent and mitigate risk. SemaDoc of **Hello Doctor** is such a risk management model (see Figure 29). It assists consumers in managing their health risks by bundling medical advice, a hospital cash plan, credit facility and a health savings account – all delivered through the mobile phone and taken up on a voluntary, individual basis.

Pointing to a paradigm shift

The plenary also brought in the regulatory perspective, from the West-African insurance regulator CIMA. As new players enter the field and technological as well as business model innovations emerge, regulators face the challenge of keeping up with them to provide the guidance needed for sustainably developing inclusive insurance markets. Participants agreed that regulators must allow innovation and that insurance **regulators needed to be in steady contact with all other relevant authorities, such as telecommunications, data protection and the central bank.**

The pace of change within the (micro) insurance industry is unprecedented, but has yet to change insurance the same way Uber has for transport. Why is this so?

Apart from the fact that insurance is more complex than the taxi business and that therefore disrupting the industry is more difficult, the discussion offered two possible answers: First, **the full potential of technological innovation can only be leveraged with widespread smartphone penetration** and hence Uber-style disruption of microinsurance could only occur once smartphone penetration is as high as feature phone penetration today. The second answer is that while technology can help in driving up service levels and hence address widespread frustration and mistrust among insurance customers, **it might be difficult to use technology for making people feel an extra need for insurance** – a need as big as the need to get a taxi.

Figure 29
Customer experience story: Kenya

Source: Massingham, Kelvin. Presentation "Quality, personal and affordable healthcare". 12th International Microinsurance Conference 2016.

After all, and unlike taxi rides, **insurance is still mainly sold and not bought,** and it remains to be seen whether innovative business models like the ones displayed in this plenary can lead to a paradigm shift that would lead to a true disruption of the industry. Panellists shared the view that, whenever such a disruption takes place, it will emerge out of the industry itself rather than engineered by external players. What was agreed by the panellists though is that innovation is unpredictable and such disruption will emerge spontaneously out of the industry (as with Uber) and, that while external players cannot engineer it, regulators can encourage it by giving certainty to innovators.

For an overview of technology innovations in microinsurance, Cenfri in partnership with FSD Africa has scanned more than 160 InsureTech initiatives in developing countries.[5]

Lessons learnt

- The next wave of technology may bring about a transformative change in microinsurance, but it is still evolving.
- Regulators must allow innovation, even if it is shocking at first. As new players enter the field, the market continues to require regulatory guidance.
- Technology should be leveraged to create risk management platforms that add value for consumers.
- Peer-to-peer insurance mimics in a formal way what informal groups have always been doing.
- New healthcare models are adding preventing and mitigating risk to insurance itself.

80 — Left to right: Doubell Chamberlain, Managing Director, Cenfri, South Africa; Kelvin Massingham, Regional Director, Hello Doctor (Sema Doc), Kenya; Luc Noubissi, Senior Insurance Specialist, CIMA, Gabon; Tang Loaec, P2P, China.

80

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To view these initiatives and learn more about how InsureTech is shaping microinsurance, visit http://cenfri.org/microinsurance/the-role-of-insurtech-in-microinsurance.

Closing session

Dirk Reinhard, vice-chair of the Munich Re Foundation and Chairman of the Steering Committee of the International Microinsurance Conference, thanked everyone, in Sri Lanka and abroad, who helped plan and organise the event: members of various committees and co-host staff, as well as speakers.

In light of the tremendous sharing of experiences and lessons learnt at this conference, he said, **"I encourage participants to look beyond the low-hanging fruit to provide products that really cater to those who need insurance most."**

Damayanthi Fernando, chairperson of the Insurance Board of Sri Lanka, said the 12th International Microinsurance Conference held here "was coincidental with a nine-point programme of our own to further develop microinsurance." So much information and valuable knowledge about inclusive insurance has been shared, she added, and "we must now keep up the momentum."

She pointed out that the "Landscape of Microinsurance in Sri Lanka", co-published by the Microinsurance Network and Munich Re Foundation, had provided valuable insights to regulators in Sri Lanka. **The sector had received a boost and public-private partnerships would be receiving more emphasis,** she added. "Community-based organisations need to be stimulated to reach out to the poor and make them aware and insurable, skilled manpower should be harnessed as an important stimulus for growth of the sector, and the sector must put more emphasis on developing actuaries."

In his closing remarks, Michael J. McCord, chair of the Microinsurance Network, reminded delegates that as they went home they should remember nuggets of knowledge and practical tips that they could put to work. He pointed out five key themes and topics to remember: **multi-stakeholder, multi-issue approach; beyond insurance, financial services and risk management solutions; focus on the customer; paying claims; and the role of regulators in light of new technology.**

— A **multi-stakeholder, multi-issue approach** was important. Value for customers and trust-building were achieved through **speedy claims settlement,** and that could be achieved both through key stakeholders and the **use of mobile technology. Multi-faceted partnerships** needed to focus on adding value to the people in need. Health insurance, for example, relied on proper access to care. Insurance without proper healthcare was worthless.

— Risk management was the basis for the actual value of insurance to the poor. **Risk reduction services needed to go hand in hand with coverage** in order to make it affordable and practical. Change illness care to wellness care.

81

81 — Eduardo Morón (right), President, Peruvian Association of Insurance Companies – APESEG, Peru receives the token of appreciation from Indrani Sugathadasa, Chairperson, Insurance Board, Sri Lanka (left) and Jagath Alwis, Chairman of the Organising Committee, Sri Lanka (centre).

- Think about more **segmentation of the target groups,** such as women, the elderly and illiterate. Design appropriate ways to approach each segment. Think innovatively. First listen to people and then design products. Keep on monitoring them over the course of years, to be in line with the needs of people. As those needs change, so should products. **Help clients reach their objectives: paying claims is important.**
- **Women needed special products to meet their needs.** They needed products that protect their health and at the same time empower them, giving them the protection of their assets and better prevention of problems when giving birth. Communication might make insurance more tangible. But adding other services such as extra primary care would do too.
- **Regulators needed to take a leading role in developing sensible proportionate regulations** that enabled the development of new products, innovative channels and digital technology. Would touch or no-touch products work? Digitisation was not a magic bullet. Understanding the context of the poor was absolutely needed for everyone in insurance including regulators and actuaries.

Every good thing must come to an end, said Jagath Alwis, chair of IASL's Organising Committee of the 12th International Microinsurance Conference and chief technical officer at Ceylinco General Insurance, while thanking the partners, speakers and audience. "Special thanks to the Organising Committee and support team! They are a great winning team having staged a fantastic conference. Nevertheless, the true winners will be the low-income people: They need our support based on the lessons learnt during these days."

Looking forward

Eduardo Morón, president of Peru's Association of Insurance Companies (APESEG), announced that the **13th International Microinsurance Conference** would take place in **Peru from 7 to 9 November 2017.**

It was impossible to talk about Peru without referring to its history and culture and the Inca Empire, Mr. Morón said. "Building on that culture, Peru has been achieving economic development and introducing financial services. The percentage of people living in poverty has decreased recently from 40 % to 10 %. Yet insurance is not very well established and risks are mostly covered through informal solutions. But what is life without its worthy challenges! So our regulatory body is very much in favour of further developing microinsurance in the country. We believe the 2017 International Microinsurance Conference will help boost our microinsurance outreach."


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82 — Damayanthi Fernando, Director General, Insurance Board of Sri Lanka, Sri Lanka.

83 — Michael McCord, Chairman of the Board, Microinsurance Network, Luxembourg, and President of the Microinsurance Centre.

84 — Dirk Reinhard, Vice-Chairman, Munich Re Foundation, Germany, Chairman of the Conference Steering Committee

Microinsurance in Sri Lanka – Living in a cooperative

By Thomas Loster

The field trip of the 12th International Microinsurance Conference led participants to Nawagamuwa, a small community near Colombo in Sri Lanka. The people in this poor village benefit from living together in a cooperative, even when unforeseen things happen.

SANASA is a cooperative movement in Sri Lanka dating back to 1906. In essence, it is a savings and micro-credit organisation. The SANASA Development Bank (SDB), a cooperative institution, was registered in 1997. The SANASA microfinance network today links approximately 8,500 cooperatives with one another across the country and reaches more than three million people, making it the most important cooperative network in Sri Lanka.

Insurance for people with low incomes

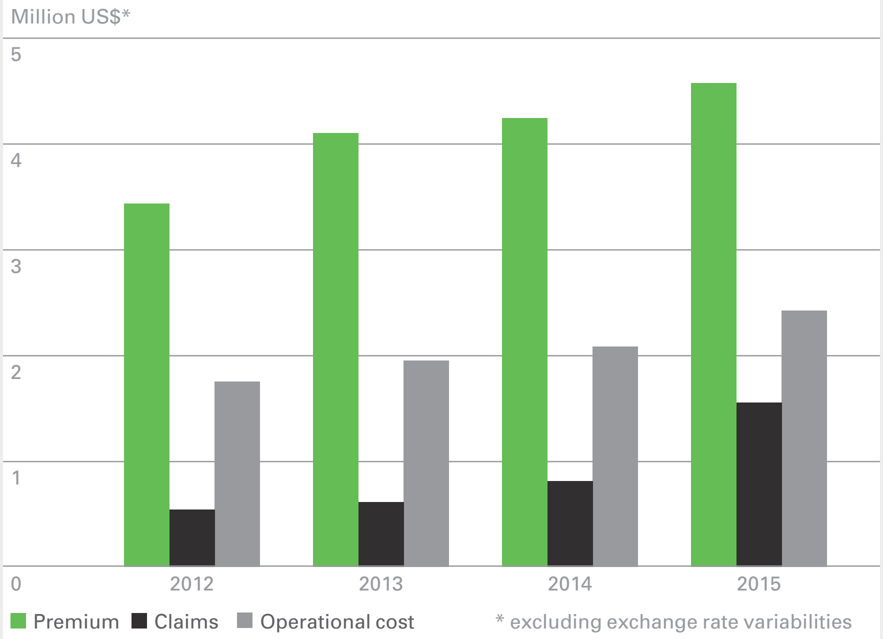
SANASA Insurance Company Limited (SICL) has very close connections to the SANASA movement. It was founded in 1989. At that time, life insurance and funerals were of great importance in the municipalities. The sudden death of the breadwinner in a household was particularly critical for poor people. Such misfortunes are often associated with poverty. This is also why death and accident insurance were some of the first services to be offered by SICL.

Later, other services such as insurance policies for fire, flood, or snake poisoning were added. The premiums range from 5 to 20 LKR (US$ 0.03 to 0.13) a year.

The life insurance sector, which has been operating on a larger scale since 2003, grew strongly in 2011 and 2012. Compared to 2003, when only 133 persons were insured in this division, business grew to almost 175,000 insureds by 2014. Premiums totalled LKR 220m (US$ 1.5m).

Today, SICL offers a wide range of insurance solutions for low-income people in Sri Lanka: property, automobile, livestock and even weather index insurance. The figures are quite impressive (see Figure 30). Because of the ongoing further development of its insurance services, SICL has won numerous international prizes, including an important award in its own country: "Best Innovation in the Agriculture Sector 2014". Together with the Global Index Insurance Facility (GIIF) of IFC, a member of the World Bank Group, a low-cost weather derivative for the agricultural sector has been developed to protect against drought and flood losses – for 15,000 small farmers.

Figure 30
SANASA Insurance Company (SICL)
Financial Highlights 2012–2015



Source: SICL

A strong community

The SANASA cooperative in the village of Nawagamuwa has roughly 2,000 members and bonds the people in the community together. It organises sporting events, festivals and religious ceremonies. It also offers an annual excursion by tour bus to its members. Children can receive a subsidy for school education, and health services are offered too.

"Social cohesion is important to us," says Imesha Prabani, the cooperative manager's daughter. "We stick together and support each other." Membership costs a one-off fee of 1,500 LKR (US$ 10). The members meet once a month. At these meetings, participants pay 20 LKR (US$ 0.13) into a community fund. "This automatically entitles them to take part in a raffle offering prizes of rice, milk powder or household items. The raffles are very popular," says Imesha.

Long-term members benefit in particular. After 40 years of membership – admittedly a long time – SANASA pays a monthly pension of 1,000 LKR (US$ 6.75). Not a lot, but it makes life easier in old age. The cooperative is also an important microloan creditor.

Sugith is 42 years old and lives in Nawagamuwa, about 20 kilometers east of Colombo. He is a SANASA member and wants to build up a small newspaper business. To do this, he took out a loan of 750,000 LKR (US$ 5,000) from the cooperative bank. He was thus able, step by step, to implement his business plan.

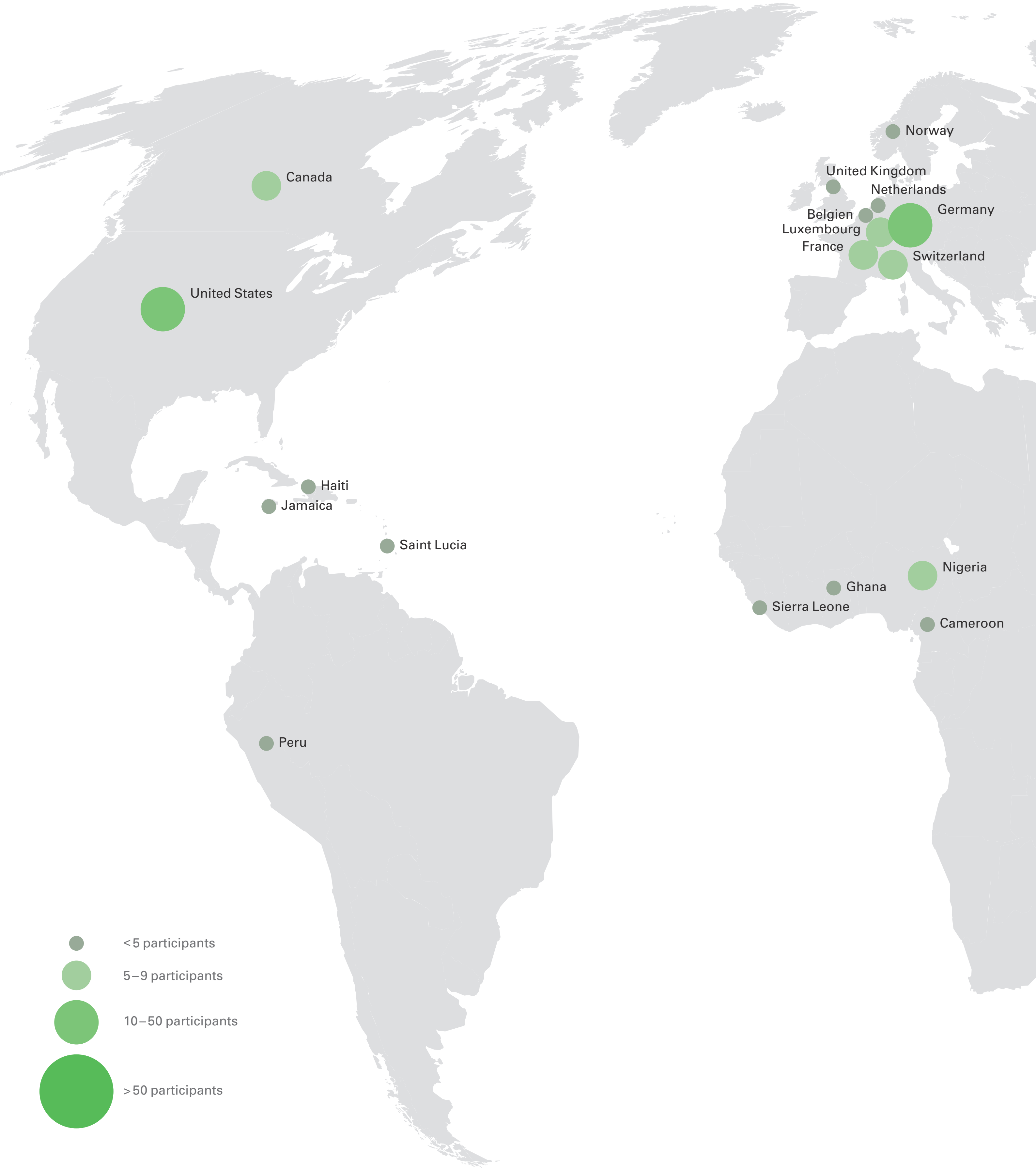
Then he had a terrible accident. "I was a passenger in a truck. Suddenly, we collided with another truck. I was seriously injured; my right leg was broken in several places. I still cannot walk well to this day, perhaps never will again."

Accidents plunge poor people, in particular, into poverty. They are forced to borrow money and pay it back at high interest rates. For this reason it is important to have microinsurance. "I was totally devastated and helpless," Sugith recalls. "The SANASA insurance came to my aid and paid off my bank loan, for which I was required to pay 3,500 rupees (US$ 23.50) a month. Now I can continue to pursue my goal of becoming self-employed with peace of mind."

85 — Sugith is relieved. After a car accident, the SANASA Insurance Company paid back his loan.

85

Countries represented




Georgia
Israel
Bahrain
United Arab Emirates
Pakistan
Nepal
China
Bangladesh
India
Myanmar
Thailand
Cambodia
Sri Lanka
Philippines
Singapore
Indonesia
Papua New Guinea
Solomon Islands
Central African Republic
Ethiopia
Uganda
The Democratic Republic of the Congo
Kenya
Tanzania
Zambia
South Africa
Australia
New Zealand

Participating organisations

Australia
Banking with the Poor Network
Macquarie University
Mercy Corps

Bahrain
Trust Re

Bangladesh
Academy of Learning
Bangladesh Extension Education Services
Bank and Financial Institutions Division, Ministry of Finance, Government of the People's Republic of Bangladesh
BRAC – Bangladesh Rural Advancement Committee
Green Delta Insurance
Insurance Development and Regulatory Authority Bangladesh
Radol
SBC – Sadharan Bima Corporation, Government of the People's Republic of Bangladesh
SAJIDA Foundation

Belgium
BRS – Belgian Raiffeisen Foundation

Cambodia
Forte Microinsurance
PKMI – Prévoir (Kampuchea) Micro Life Insurance

Cameroon
CIMA

Canada
Denis Garand and Associates
FADQDI – Financière agricole du Québec
ID&CS
University of Waterloo

Central African Republic
Direction de Contrôle des Assurances

China
Asia Affinity Holdings
ILO's Impact Insurance Facility
P2P Protect – TongJuBao

Congo, The Democratic Republic of The
Comite de suivi de régularisation du secteur des assurances

Ethiopia
Agricultural Transformation Agency

France
Acting for Life
AXA Group
Grameen Crédit Agricole Foundation
Institute and Faculty of Actuaries, Microinsurance Group
J-PAL Europe – Paris School of Economics

Georgia
BlueOrchard Finance
GIZ Programme "Private sector development South Caucasus"
LEPL Insurance State Supervision Service of Georgia

Germany
Access to Insurance Initiative
BMZ
ERGO
GIZ
Munich Climate Insurance Initiative
Munich Re
Munich Re Foundation
University of Hohenheim

Ghana
National Insurance Commission

Haiti
Alternative Insurance Company

India
Bharat Reinsurance Brokers
Bihar Rural Livelihoods Project
DHAN Foundation
Droit Health
Ernst & Young
GIZ India
HDFC Ergo General Insurance
IFMR Holdings
INAFI – International Network of Alternative Financial Institutions
InsuredHQ
Itus Insurance
K.M. Dastur Reinsurance Brokers
Manipal Group
Ministry of Agriculture
National Insurance Vimosewa Coop
Opportunity Microinsurance Development Centre
Parvati Swayamrojgar
People Mutuals
Religare Health Insurance
Swiss Re
Weather Risk Management Services

Indonesia
BTPN Bank
Indonesia Financial Institution Authority (OJK)
PT Asuransi Central Asia
PT Reasuransi Maipark
Sienco Aktuarindo
World Bank Group

Israel
BIMA

Jamaica
Financial Services Commission
GK Insurance

Kenya
APA Insurance
Britam
Hello Doctor
ILO

Luxembourg
Grameen Crédit Agricole Foundation
Microinsurance Network

Myanmar
Pact Global Microfinance Fund

Nepal
Nepal Rastra Bank

Netherlands
Microinsurance Network
NN Group

New Zealand
InsuredHQ

Nigeria
College of Insurance and Financial Management
Niger Insurance
NSIA Insurance

Norway
Datadriven Finance As

Pakistan
ILO
Jubilee Life Insurance
Kashf Foundation
Microensure
UPAP/NRSP – Urban Poverty Alleviation Programme/ National Rural Support Programme

Papua New Guinea
Office of Insurance Commission

Peru
APESEG – Asociación Peruana de Empresas de Seguros
FIDES

Philippines
Asian Development Bank
Association of Insurers and Reinsurers of Developing Countries
Card Pioneer
CLIMBS Life and General Insurance Cooperative
GIZ – Regulatory Framework Promotion of Pro-Poor Insurance Markets In Asia (RFPI Asia)
PhilPacific Insurance Brokers
Pioneer Group
RIMANSI

Saint Lucia
Financial Services Regulatory Authority

Sierra Leone
Activa International Insurance

Singapore
Allianz Re
Asia Insurance Review
J. B. Boda Group

Solomon Islands
Central Bank

South Africa
Ackermans
Cenfri
Edcon
Financial Services Board
Hollard
Inclusivity Solutions
Liberty Life
MMI Holdings
Munich Re
Old Mutual Emerging Markets
PEP

Sri Lanka
Agricultural and Agrarian Insurance Board
AIA Insurance Lanka
Allianz Re
Amana Takaful
Arpico Insurance
Asian Alliance Insurance
Berendina Microfinance Institute
BIMA
BRAC Lanka Finance
Ceylinco General Insurance
Ceylinco Life Insurance
Commercial Bank of Ceylon
Commercial Leasing Company
Continental Insurance Lanka
Co-Operative Insurance Company
Crescent Global Group
Delmege Insurance Brokers
Dialog Axiata
HNB Assurance
Ideas Consultancy Informatics International
Institute of Policy Studies of Sri Lanka
Insurance Board of Sri Lanka
ISP Lanka
Janashakthi Insurance
JF Insurance Brokers
Life & General Insurance Brokers Ceylon
Life Insurance Corporation
LOLC General Insurance
LOLC Life Assuarance
LOLC Micro Credit Limited
Medilink Lanka
Ministry of Health
National Insurance Trust Fund
People's Insurance
Prosperous Capital & Assurance
Royal Shield Management Company
Sabaragamuwa University of Sri Lanka
SANASA Development Bank
SANASA Insurance Company
Softlogic Life Insurance
Sri Lanka Insurance Corporation
The Professional Consortium
Union Assurance General
University of Colombo – Department of Economics
Wayamba University
World Bank Group

Switzerland
Celsius-Pro Switzerland
ILO's Impact Insurance Facility
International Association of Insurance Supervisors
Paralife Management
SDC – Swiss Agency for Development and Cooperation
Syngenta Foundation for Sustainable Development

Tanzania, United Republic of
Association of Tanzania Insurers
FSDT – Financial Sector Deepening Trust
Insurance Group of Tanzania
Intertrade Express Limited
Sanlam General Insurance

Thailand
InsuredHQ

Uganda
House of Zakat and Waqf
Save for Health Uganda

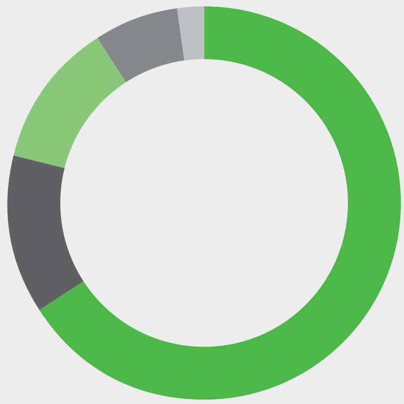
United Arab Emirates
Munich Health Daman Holding
Munich Re

United Kingdom
Argo Global
ICMIF – International Cooperative and Mutual Insurance Federation
Institute and Faculty of Actuaries

United States
A.M. Best
American International Group
Fletcher School
Georgia State University
Institute of the Environment
IRI
Mercy Corps
Microinsurance Centre
Microinsurance Network
Milliman
University of California, Davis
Women's World Banking
World Bank Group

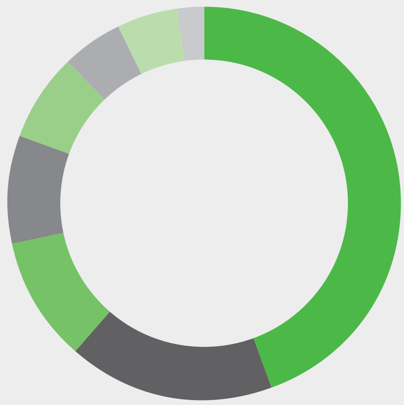
Zambia
FSDZ – Financial Sector Deepening Zambia
Risk Shield Consultants

Figure 31
Number of participants per continent



Asia	66 %
Africa	13 %
Europe	12 %
America	7 %
Oceania	2 %

Figure 32
Type of representatives



Insurance and finance industry	44 %
Donor agencies, development and international organisations	17 %
Government and regulatory bodies	10 %
Media	9 %
Microfinance and microinsurance providers	7 %
Academics	5 %
Other	5 %
Consultants	2 %

Acronyms

A2ii
Access to Insurance Initiative

AE
Actuarially equivalent

APESEG
Asociación Peruana de Empresas de Seguros

B2B
Business to business

BMZ
Bundesministerium für wirtschaftliche Zusammenarbeit (German Federal Ministry for Economic Development Cooperation)

BNC
Banque Nationale de Crédit

BPL
Below poverty line

BTS
Base transceiver station

CBO
Community benefit organisation

CEAR
Center for the Economic Analysis of Risk at Georgia State University

Cenfri
Centre for Financial Regulation and Inclusion

CIF
Climate Insurance Fund

CIMA
La Conférence Interafricaine des Marchés d'Assurances

COP
Conference of the parties

CSC
Common Service Centre

DID
Développement international Desjardins

EQII
Earthquake index insurance

EU
European Union

FADQDI
Financière agricole du Québec – Développement international

FARM
Financement agricole et rural au Mali

FMCGs
Fast-moving consumer goods

FSD
Financial Sector Deepening

G7
The Group of Seven of the world's most industrialised nations: Canada, France, Germany, Italy, Japan, the United Kingdom and the United States (with the European Union also represented)

GDP
Gross domestic product

GIIF
Global Index Insurance Facility

GIS
geographic information system

GIZ
Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation)

GPRS
General Packet Radio Service

GPS
Global Positioning System

HTG
Haitian gourde

IAA
International Actuarial Association

IAIS
International Association of Insurance Supervisors

IASL
Insurance Association of Sri Lanka

IBSL
Insurance Board of Sri Lanka

IBWI
Index-based weather insurance

ID
Identity document

IFC
International Finance Corporation

II
Index insurance

IIS
International Insurance Society

ILO
International Labour Organisation

INAFI
International Network for Alternative Financial Institutions

INR
Indian rupee

IT
Information technology

KfW
Kreditanstalt für Wiederaufbau (German Development Bank)

KPIs
Key performance indicators

KSh
Kenyan Shilling

KYC
Know your customer

LAC
Latin America and Caribbean

LKR
Sri Lankan rupee

MBA
Mutual benefit association

MCCOs
Mutuals, cooperatives and community-based organisations

MFI
Microfinance institution

MI
Microinsurance

MNO
Mobile network operator

MSMEs
Micro, small and medium enterprises

MVNO
Mobile virtual network operator

NeGP
National e-Government Plan

NGO
Non-governmental organisation

NHPS
National Health Protection Scheme

NIC
National Insurance Commission

NRSP
National Rural Support Programme

OECD
Organisation for Economic Co-operation and Development

OOP
Out-of-pocket

P2P
Peer to peer

PGK
Papua New Guinean kina

PHP
Philippine peso

P&I
Protection and indemnity

PKR
Pakistani rupee

PPP
Public-private partnership

POC
Point of Care

PoS
Point of Sale

Q&A
Question and answers

R&D
Research and development

RCT
Randomised control trial

RFID
Radio-frequency **identification**

RIICE
Remote-sensing-based information and insurance for crops in emerging economies

ROCL
Reduction of Compound Lotteries

RSBY
Rashtriya Swasthya Bima Yojana

SANASA
Sinhala acronym for the Federation of Thrift and Credit Cooperative Societies in Sri Lanka

SDB
SANASA Development Bank

SEWA
Self-Employed Women's Association

SICL
SANASA Insurance Company Limited

SMS
Short Message Service

TA
Technical Assistance

TSP
Technical service providers

UN
United Nations

UNDP
United Nations Development Programme

UPAP
Urban Poverty Alleviation Programme

US$
United States dollar

USSD
Unstructured Supplementary Service Data

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"Insurance is a vital element of poverty reduction and economic development. […] Many low income earners rely on traditional sources such as family. Insurance allows to make economic decisions that one could not take without a protection net."

Indrani Sugathadasa,
Chairperson, Insurance Board,
Sri Lanka

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