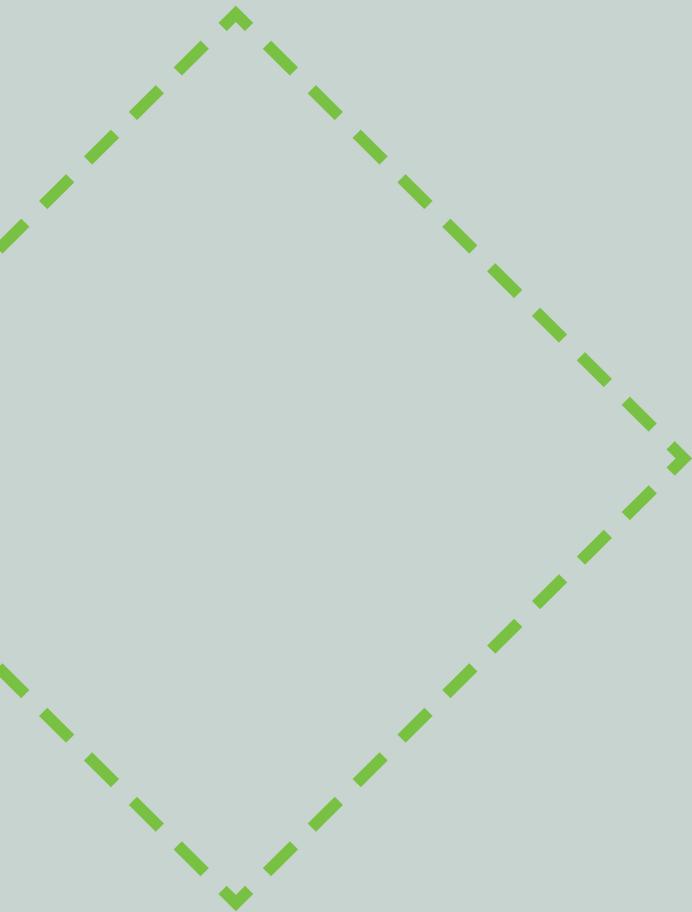

Report

Microinsurance Conference 2007

Making insurance work for the poor



13–15 November 2007
Mumbai, India

Edited by
Zahid Qureshi and Dirk Reinhard

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Conference documents and presentations are available online:
www.microinsuranceconference2007.org

Links:

Munich Re Foundation
www.munichre-foundation.org

CGAP Working Group on Microinsurance:
www.microinsurancefocus.org

IRDA
www.irdaindia.org

Acknowledgements

This report is a summary of the Microinsurance Conference 2007 held in Mumbai, India, jointly hosted by the CGAP Working Group on Microinsurance, the Munich Re Foundation and the Insurance Regulatory and Development Authority (IRDA) with the support of GTZ and the World Bank.

On behalf of the CGAP Working Group on Microinsurance, we would like to thank members of the steering committee involved in shaping the conference, identifying suitable speakers, and structuring the workshops. We would especially like to thank Chairman C.S. Rao of the IRDA for the wonderful cooperation and support in putting the event on India's agenda as well as providing access to many top-level speakers and participants.

The conference would not have been possible without the contributions, time and efforts of the more than 50 speakers. Thanks to their input, we had a broad range and variety of experience and important lessons to share. Their feedback on the conference report after the event was also very much appreciated.

This event was aimed at discussing current practices as well as future concepts for microinsurance. It provided a platform enabling the exchange of ideas and solutions for the many problems to be solved. Without the input from the participants, however, it would have remained an empty space. We would therefore like to acknowledge the over 300 participating experts representing more than 170 organisations from 50 different countries around the world.

We would also like to thank the staff of Munich Re's Mumbai office for their valuable feedback as well as the logistical support without which the small team of the Munich Re Foundation would not have been able to manage the conference.

There were a lot of people working behind the scenes. Prior to and during the event, the conference team – Angelika Boos, Markus Heigl, Petra Hinteramskogler, Lena Lange, Thomas Loster, Martina Mayerhofer and Irina Oswald – provided significant organisational support and worked with a lot of passion to make this a successful event.

Last but not least, we would like to thank the team of rapporteurs led by Zahid Qureshi – Simon Bailey, Kristin Hoffmann, Koko Warner and Mario Wilhelm – for helping us gather and document all the important lessons learnt from the various sessions featured in this report.

Craig Churchill
Dirk Reinhard

1
Craig Churchill,
ILO, Switzerland;
Chairman, CGAP
Working Group on
Microinsurance.

2
Dirk Reinhard,
Vice-Chairman,
Munich Re
Foundation,
Germany.



1



2

Introduction

The number of poor in the world with any insurance protection whatsoever is no more than one in every 33, few having all the protection they need. And it is not likely to get better unless the gap is bridged between insurers and those who need to be insured.

For one thing, the market seems bottomless. Although more people are rising above the poverty line and are enabled to protect their lives, living standards and assets, many more still seem beyond the insurance industry's reach.

Clearly, efforts need to be redoubled towards insurance growth that is inclusive and of real value to the poor. The challenge is universal, but solutions must be location-specific.

That is the driving force behind an annual forum of experts – including practitioners in insurance for the poor – that has, over three years, seen its participants triple, its outreach extending to three continents, its scope expanding to complex risks such as agriculture and natural disasters, and its findings focusing on approaches and practices that produce results on the ground.

The third International Microinsurance Conference, sponsored by the Munich Re Foundation and CGAP (Consultative Group to Assist the Poor) Working Group on Microinsurance, was held in Mumbai on 13–15 November

2007 with the support of the Insurance Regulatory and Development Authority (IRDA) of India, the World Bank, and GTZ of Germany. It brought together more than 300 microinsurance experts and practitioners from some 50 countries. One in three represented private-sector insurers, and the rest were officials of governments, non-governmental organisations (NGOs) and multinational aid bodies as well as academics, actuaries and other consultants. Two-thirds of the delegates were from outside India.

The first conference, in Munich in 2005, had some 90 delegates and reviewed findings of case studies of microinsurance practices conducted by the Working Group around the world. The second, held in Cape Town in 2006, attracted 150 delegates and focused on making insurance work for the poor in Africa.

In the latest conference, the agenda covered innovative microinsurance products, improving efficiencies and enhancing benefits, and a comparison – from the perspective of the poor – of group and individual insurance. The main theme was regulation, supervision and policy approaches that facilitate access and ensure sustainability.

Setting the stage at the opening were: keynote speaker Shri P. Chidambaram, India's Minister of Finance, C. S. Rao, Chairman of IRDA, Michel Flamée, Chair of the International Association of Insurance Supervisors (IAIS), and Thomas Loster, Chairman of the Munich Re Foundation.

Besides the inaugural session, the conference had an introductory workshop, four plenary panel discussions on the main themes and 15 parallel sessions on various subtopics. That the content of the conference fulfilled the expectations of participants from around the world and from all sectors involved in microinsurance was duly noted by the organisers: Craig Churchill of the International Labour Organization (ILO), who chairs the Working Group, and Dirk Reinhard, Vice-Chairman of the Munich Re Foundation.

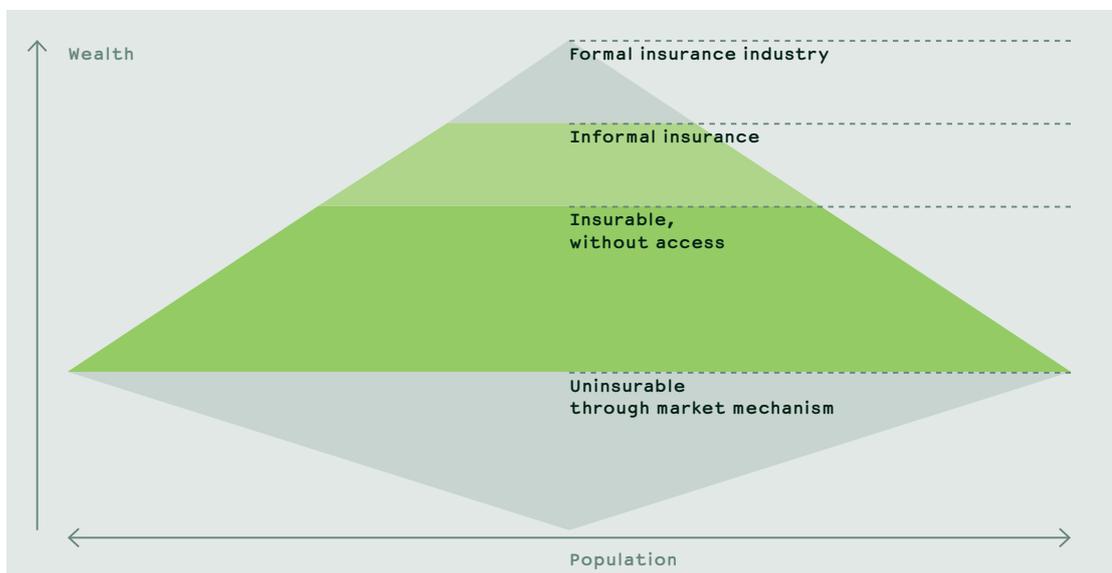
Mr. Churchill said that over the three years of the conference's existence, the level of discussion had risen from reviews of isolated cases to detailed and technical examination of multiple experiences across the board.

Mr. Reinhard added that the conference had served its purpose well as a key platform to bring every important stakeholder – insurers, regulators, other policymakers, donors, researchers, consultants and NGOs – together to exchange knowledge and experience.

Figure 1
Who is insured
by whom?

The microinsurance market segment is reflected by the two green areas. People at the bottom of the pyramid need public subsidies and other methods of support.

Source:
Churchill, Craig.
Presentation
'An introduction to
microinsurance'.
Microinsurance
Conference 2007.



Agenda

Day 1 13 November 2007

Pre-conference

Speakers

Pre-conference workshop

Craig Churchill

Introduction to microinsurance

ILO, Switzerland

Michael McCord

MicroInsurance Centre, USA

Ralf Radermacher

Micro Insurance Academy, India

Four billion people are living on less than two dollars a day, and most are considered insurable.



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Pre-conference workshop

Introduction to microinsurance

The need to further enhance risk management tools in developing countries remains acute. Most of the poor have no access to any kind of insurance, formal or informal. The potential of microinsurance as a way of extending social protection to excluded populations and opening up a new market for the insurance industry is huge. Four billion people are living on less than two dollars a day, and most are considered insurable.

Providing microinsurance should not be seen as a separate policy goal, but rather as covering demand in a part of the insurance market. Microinsurance represents a specific market segment where products, distribution channels and regulations take the needs of the poor into account to offer them added value and to make them viable clients for insurers.

Poor people face the same risks as others, but are more vulnerable and least able of all to cope with them. They most often work in the informal economy, have irregular cash flows, are not familiar with formal insurance and may not trust insurance companies. Moreover, they do not form a homogeneous market segment. Priority risks vary by country, though illness and death are most common.

Even within countries the predominant risk may differ in places and insurers could face different sets of cultural, political and economic factors that determine insurance provision and the design of appropriate products. That is why it is important to understand how the target group manages risks, what needs it has and how products have to be designed to serve those needs at a premium that group members can pay.

In microinsurance, unlike conventional insurance, encouraging claims is the most effective way to build trust.

Efficient controls have to be established to prevent moral hazard, adverse selection, covariant risks and fraud. Premiums have to be actuarially derived and the share of administrative costs low. Premium collection methods must fit the economic realities of the market. Group plans, the linkage of microinsurance products to other financial services, and the use of technologies such as mobile phones, smart cards or cash registers help reduce costs. Education and promotion drives facilitate the understanding and appreciation of insurance.

The most widespread and successful microinsurance products are credit, term and savings life plans, that are less difficult to offer than agriculture and health insurance, for which there is high, unmet demand.

Box 1

Criteria for valuable products

Products that are valuable to low-income families are demand-driven and simple, with

- the right balance of premium and coverage;
- easy application processes;
- easy claims confirmation;
- few exclusions;
- minimal steps for settlement and approval;
- rapid payment.

Simplicity is key. It will not just enhance the perception and understanding of insurance but will also increase the trust of customers and foster the development of an insurance culture.

3
Left to right:
Brigitte Klein,
GTZ Germany; Rolf
Suelzer, GTZ
country director,
India; Ralf
Radermacher,
Micro Insurance
Academy; Martina
Wiedmaier-Pfister,
GTZ, Germany.

4
Craig Churchill,
Chairman of the
CGAP Working
Group on Micro-
insurance, opens
the "meet and
greet" reception.

5, 6, 7
The active ex-
change with other
practitioners: an
integral part of
the international
microinsurance
conference.

8
The pre-confer-
ence workshop
opens the floor
to insurance
experts new to
the topic of
microinsurance.

9
Craig Churchill,
ILO, Switzerland;
Ralf Radermacher,
Micro Insurance
Academy, India;
Michael McCord,
MicroInsurance
Centre, USA.



8



9

Pre-conference workshop
Introduction to microinsurance

Health insurance specifics

In health insurance, care providers come in as additional players. Adverse selection and moral hazard are much more difficult to prevent as screening costs are high and control measures complicated. The cost variance is large, depending on individual factors, location, and medical provider, which makes it difficult to create viable pricing. Benefit packages need to be broader to be meaningful to customers. The frequency of interactions is high as health risks strike regularly, causing high administrative costs, and there are covariate risks when epidemics occur.

Health insurance requires highly innovative product designs and distribution channels. Contracts with existing groups can help tackle the problem of adverse selection. No-claims or low-claims bonuses set incentives not to overuse services, reducing moral hazard.

Benefit packages should be broader, and include, for example, regular health checks even when no claims are made. Inadequate products pose a great risk to the development of the entire market as they discourage people from meeting their needs through insurance.

One step toward delivering health products is to build capacity in local community-based insurance schemes, using the mix of expertise, local information and local control to minimise problems. Another is to link schemes to reinsurers for long-term financial stability.

Box 2

Ten factors for success in microinsurance

- 1 Understand the market's needs.
- 2 Involve the market/customers in designing simple products.
- 3 Educate the market.
- 4 Earn the trust of the market.
- 5 Maximise efficiencies to ensure sustainability.
- 6 Leverage existing relationships.
- 7 Reach huge numbers of people, and keep them.
- 8 Encourage claims and build trust.
- 9 Create institutional space to form a microinsurance culture.
- 10 Adopt a long-term perspective.

Source:
Churchill, Craig.
Presentation
'An introduction to microinsurance'.
Microinsurance Conference 2007.

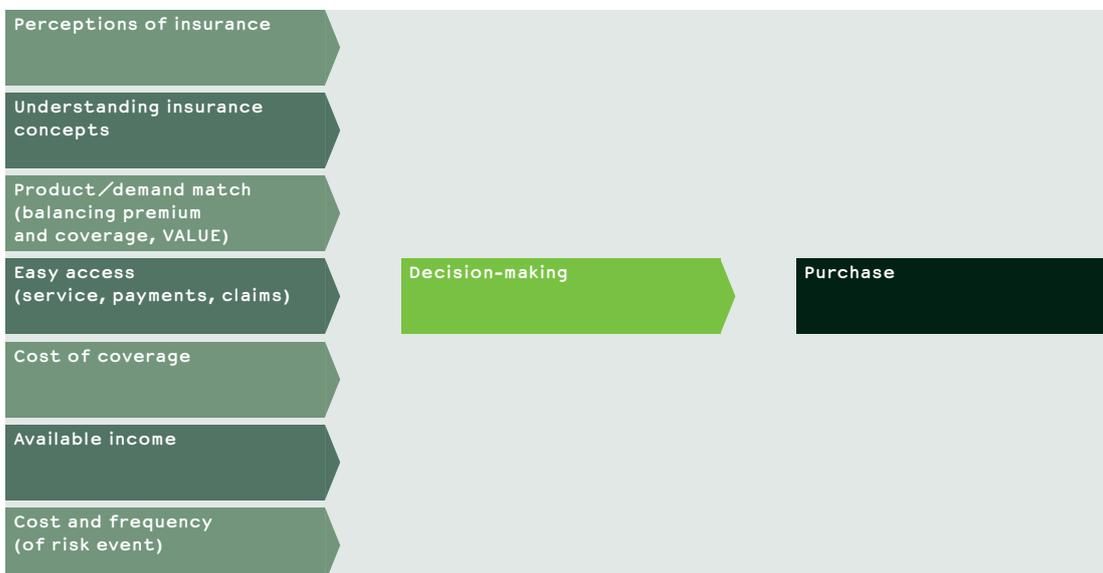


Figure 2
Remember:
Price is NOT the only factor in a purchase decision!

Source:
McCord, Michael J.
Presentation
'Operationalizing microinsurance'.
Microinsurance Conference 2007.

Agenda

Day 2 morning sessions 14 November 2007

Inaugural Session

Speakers

Facilitators

Welcome address

C.S. Rao
Chairman, IRDA, India

Thomas Loster
Chairman, Munich Re Foundation,
Germany

Inaugural address

Shri P. Chidambaram
Minister of Finance,
Government of India

Keynote address

Michel Flamée
Chair of Executive Committee,
IAIS, Switzerland

Plenary 1

Microinsurance regulation, supervision and policy issues Round table

Introduction
Brigitte Klein
GTZ, Germany

C.S. Rao
IRDA, India

Roberto Junquito
FASECOLDA, Colombia

José Carlos Gómez
SBS, Peru

Jeremy Leach
FinMark Trust, South Africa

Arup Chatterjee
IAIS, Switzerland

Craig Thorburn
World Bank, USA

The prospects of growth in microinsurance remain excellent due to increasing economic development in the emerging insurance markets.



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10 Left to right: Zahid Qureshi, Canada, editor of the conference report; Kulmie Samantar, Mutu-alité Française, France.

11 Dipan Chandrani (left) and Madhusudhanan Sridharan (centre), both Munich Re, India, talking to a conference participant.

12 Left to right: David Ronoh, the Co-operative Insurance Company Of Kenya Ltd; Sabbir Patel, ICMIF, United Kingdom.

13 Right to left: Thomas Loster, Chairman Munich Re Foundation, Germany, and Dirk Reinhard, Vice-Chairman, Munich Re Foundation, Germany, welcome the Honorable Minister of Finance of India, Shri P. Chidambaram.

14 The vital back office: Siddhi Marathe and Henrietta Pereira (left to right), both of Munich Re India Services.

15 The participation of the Minister of Finance caused a stir among the media.

Inaugural session

India is an important case study for the world. Around one third of its population lives below the poverty line and its government has been taking special steps to promote insurance for the poor. The conference provides a good learning opportunity here for delegates – not only as to how best to help the poor cope with the usual perils but also how the poor can be protected against the larger risks posed by climate change.

Illness and death are ongoing priorities in risk management for the poor, but other perils persist and there is a need, in particular, for natural-disaster prevention and protection.

Thomas Loster, Chairman,
Munich Re Foundation

16
Thomas Loster,
Chairman, Munich
Re Foundation,
Germany.

17
C. S. Rao,
Chairman, IRDA,
India.

18
Shri P. Chidambaram,
Honourable Minister
of Finance, India.

To help ensure that disaster victims – most of whom in developing countries are poor and engaged in agriculture – are not left out of insurance coverage, the Munich Re Foundation is pursuing the priority of making disaster-management knowledge and workable solutions accessible to those affected. The foundation sees disaster prevention and protection as the next step in the drive to spread insurance among the poor.

India is the first country to come up with a special regulation on microinsurance. The IRDA, which focuses on development of the industry too, introduced its regulations on mandating insurers to serve the rural and social sectors three years ago. Insurers are allowed to provide a single-window service to the poor with composite life and non-life products. A mix of products can reduce transaction costs substantially and help the poor recover from shocks more effectively.

The IRDA made serving the poor compulsory for insurers in India. Those left behind in other development efforts should not be left behind as insurance develops.

C. S. Rao, Chairman, IRDA

An ongoing challenge is to further develop effective intermediary channels on which insurers and insured depend for business.

Over one half of people in India have no access to banking products. One service the poor need is credit, and along with it insurance.

Even beyond 2015, the cut-off date of the Millennium Development Goals (MDGs), large numbers of people will likely continue to be classed as poor – perhaps 600 million in China and India alone. Fast and high growth is required, and it will have meaning only if we can take the services needed to the poor – in a manner that makes sense to them.

Shri P. Chidambaram,
Minister of Finance, India

The poor are good borrowers; they recognise and discharge their financial obligations. More than three million members of women’s self-help groups benefit from microcredits in India, and the rate of default on loans to such groups is less than 1%. Microfinance institutions and NGOs as intermediaries are driving microinsurance.

India also has a strong banking network with around 50,000 branches and an even more widespread network of post offices. It is experimenting with delivering banking products through post offices. Insurance companies could also distribute microinsurance products through post offices, which would bring down the transaction costs.



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Inaugural session

The model that will work well in India is group insurance. Groups have greater sharing of experience and knowledge, an opportunity to resolve doubts about what is being offered as well as about risk. The task has to be unbundled, with someone to administer the scheme, someone to deliver the product and someone to underwrite the risk.

In October, India announced the common citizens' insurance scheme. It offers death and disability insurance to those below the poverty line – the landless rural population being the target clientele. The government pays the entire premium for the basic product and the poor can opt to pay for value-added covers themselves.

This is India's most ambitious micro life insurance product so far, with the goal of covering ten million families in 12 months by October 2008. Results of this initiative will be reported to the 2008 conference.

India also has state-specific health insurance schemes – covering, for example, in-patient and outpatient treatment of all pre-existing diseases for a family of five.

Globally, policymakers also see microinsurance as a critical sector for the expansion of financial services, with the ultimate objective of alleviating poverty.

The microinsurance sector is moving rapidly towards commercialisation. Yet there remains a need for more groundwork on product design and development as well as governance of the organisations providing the products. Regulation and supervision to ensure sound risk management must be in place for microinsurance to function properly. A balance must be struck by the regulator between protecting investors and consumers while allowing operators the freedom to innovate and experiment.

The reinsurance industry plays a role in sustaining the global growth of the microinsurance sector and ensuring access for the low-income segment to insurance.

Microinsurance is a tool for poverty alleviation and inclusion – a part of the risk management repertoire for which there is a demand in developed countries, too. The IAIS represents 190 jurisdictions, and an enabling environment for microinsurance development is needed in all countries. In addition to groundwork on the front lines, development of the reinsurance sector is required to underwrite microinsurance schemes.

Michel Flamée, Chair, IAIS

An enabling policy environment is needed, but implementing microinsurance entails the challenge of formulating a framework that facilitates particular aspects of microinsurance without putting other formal insurance providers at a disadvantage.

Insurance markets have not been inclusive in many jurisdictions. Often, excluded populations create their own informal insurance schemes, such as in the case of funeral insurance, which provide cover to their members as well as important insights into the design and delivery of microinsurance. However, if such schemes grow, they can also represent a consumer protection risk that requires the regulator's attention.

There is a need to ensure that regulation is consistent with international insurance norms. Regulators are seeking clarity about adequate rules for capital, investments, risks, incentives and disincentives, management, and potential conflicts in this rapidly growing area of risk transfer. Transparency and disclosure are also among the major issues on which more work needs to be done to generate common criteria on regulating and supervising microinsurance adequately.

It may be necessary to recognise different types of insurance provider for different population segments. For example, in many emerging markets, mutual or cooperative insurers seem particularly well-positioned to serve the low-income market.

Lessons learnt

- India's groundbreaking regulation and the government's new death and disability scheme for people at the bottom of the pyramid are notable successes. Yet challenges remain: improving the efficiency of distribution systems, reducing transaction costs, and making the process of obtaining coverage simple and understandable to the poor.
- There is a global regulatory consensus that microinsurance does not need a special set of new rules, and that microinsurers should comply proportionately to the same rules as those that exist for mainstream insurers.
- There is a need for capital adequacy and solvency requirements that are realistic, and for transparency and clarity in policies (icons and labels rather than small print).
- For oversight, various jurisdictions could use a scale of rule-based to principle-based regulation approaches. The IAIS-CGAP Joint Working Group's issues paper identifies criteria that are universally acceptable and applicable.

Keynote address

Introduction

Honourable Finance Minister, Mr. Chairman, C. S. Rao, Mr. Loster, distinguished colleagues, guests and participants, I am honoured to be invited by the Consultative Group to Assist the Poor [CGAP] Working Group on Microinsurance, the Munich Re Foundation and the Insurance Regulatory and Development Authority of India [IRDA] to deliver this keynote address at the Microinsurance Conference in Mumbai, the financial capital of India.

In the recent past, we have seen a growing interest in microinsurance in emerging markets as a tool for financial inclusion and poverty alleviation. This interest is driven by success stories emanating from countries of this region, as well as the continued need of the low-income population residing in these countries for financial services. Indeed, more than other market segments, the target markets for microinsurance need insurance as part of their risk management repertoire so that they are able to cope with risks more efficiently, and avoid falling further into poverty.

These matters do not only concern emerging markets, but are also relevant for all countries in the world. We easily forget that in industrialised countries there is also demand for products such as microinsurance from people who do not have access to conventional insurance products, for several reasons, such as poverty and illiteracy – in essence the same reasons as for emerging countries.

Besides the social aspect of microinsurance, I find it heartening to note that practitioners and policy makers also see the potential of microinsurance as a critical sector for growth and development. Experiences around the world that have exhibited profitability and sustainability of operations have also spurred the movement towards the commercialisation of microinsurance.

These developments are a step in the right direction. The prospects of growth in microinsurance remain excellent due to increasing economic development in the emerging insurance markets and an improvement in the historically low insurance penetration rates, besides its growing acceptance by the low-income population in particular. Competitively priced and sold through the right channels, microinsurance could attract any consumer, irrespective of geographical origin. Drawing on this idea, it is envisioned to promote sustainable operations while providing more people with access to enhanced and improved financial services.

Other factors responsible include the development of legal and regulatory structures within a number of jurisdictions which promises the creation of an enabling environment for microinsurance to grow. Many of you present here are already aware of the role played by the Insurance Regulatory and Development Authority (IRDA) of India in recognising the potential for microinsurance and coming up with a set of microinsurance regulations to facilitate the development of an insurance culture among the people.

The other complementary factor happens to be developments in the reinsurance segment, which holds the promise of providing reinsurance capacity to insurers underwriting microinsurance. This can act as a capital substitute to a limited extent, besides providing pricing assistance and other related expertise.

Need for the right balance

While the potential benefits of microinsurance are many, so are the attendant challenges that must be addressed. With the advent of commercialisation, many players are ready to join the bandwagon without adequate preparation. Consequently, there is need for groundwork with regard to the design of the products and services as well as increased attention towards the governance aspects of such organisations. In addition, existing infrastructures should be strengthened insofar as regulation, supervision and risk management are concerned.

19
Michel Flamée,
Chair of the
Executive
Committee of
the IAIS, and
Vice-Chairman,
Banking, Finance
and Insurance
Commission,
Belgium.



The worldwide integration of economies and financial markets is increasing, and a sound and vibrant insurance and reinsurance industry is needed to sustain global economic growth. The growth of microinsurance can only contribute to this development if the rules underpinning its regulation and supervision strike the right balance. Investors and consumers have to be protected – but operators must enjoy the freedom to innovate and experiment.

It is well recognised that an enabling policy environment is essential for the development of microinsurance institutions. However, implementing financial regulation for microinsurance operators entails the challenge of formulating a framework that not only takes into account the unique characteristics peculiar to microinsurance business, but also avoids putting conventional insurance companies at a comparative disadvantage, or vice versa, thereby affecting their competitiveness and growth potential in the overall financial system.

The International Association of Insurance Supervisors (IAIS) continues to take an active interest in a variety of developments affecting the financial sector, including microinsurance. Before speaking further, I want to give you some background on the IAIS. Established in 1994, the IAIS represents the insurance regulators and supervisors of some 190 jurisdictions. The IAIS develops international insurance regulatory standards and strives towards the creation of a harmonised approach to insurance supervision all over the world, both with the active involvement of IAIS member-jurisdictions, as well as by way of regional cooperation with non-member jurisdictions. Over the years, the standards developed by the IAIS have gained wide international acceptance in the international financial community, and the World Bank and the IMF make use of IAIS standards to enhance the development of a sound financial system on a global basis.

Apart from promoting more inclusive insurance markets, the IAIS is interested in this issue for two main reasons. First, because insurance markets have not been inclusive. In many jurisdictions, excluded populations are creating their own insurance solutions. Such informal insurance schemes provide important insights into the design of insurance for the low-income market – but they also represent a consumer-protection risk that requires the attention of insurance supervisors.

Second, in several countries regulators are creating policies and regulations for microinsurance without sufficient analysis of the potential impact of those policies. Conventional insurance regulators need to understand why microinsurance is relevant and how it works, in order to develop an appropriate framework that supports microinsurance without diluting the essential prudential aspects. Their concern lies in ensuring that regulations are consistent with international insurance norms and that the growing microinsurance industry should not jeopardise conventional insurance. In particular, regulators are seeking clarity about the implications regarding capital, investments, risks, incentives and disincentives, potential conflicts and how they should be managed. In addition, one needs to appreciate the significance of developing transparency and disclosure in the still evolving legal and accounting framework.

Nonetheless, regulators should allow for insurance products which are adapted to the needs of the market. This does not mean that other rules should be applied for microinsurance versus conventional insurance. It is just about applying them proportionately. Providing simple insurance products necessitate simplicity at the entry side – I am thinking here about marketing and distribution for example. Further, it requires simplicity in the description of the policy conditions, for example by using logos instead of incomprehensible small print. It also requires simplicity with regard to the administration and claims-settlement process, for example by avoiding complex decisions, therefore perceived as obscure, for paying out benefits. Nevertheless, premiums should still be set correctly, taking into account the real risks thus covered.

An efficient and well-founded insurance regulation is one of the features of good governance and gives great strength and certainty to society and the economy. On the other hand, bad or cumbersome regulation not only creates barriers to efficient markets, thereby discouraging competition and innovation, it also alienates citizens from government and can contribute to unfair income and wealth distribution. In this context, insurance regulation should be seen as one of a range of instruments available to policy makers. It can be used instead of, or alongside, other instruments such as information campaigns.

One of the problems with regulation – particularly traditional “command and control” regulation – is that it is often seen as a quick fix. In terms of ensuring that we will regulate microinsurance as efficiently as possible, we need to promote adapted forms of regulating, in addition to examining alternatives to traditional regulation, as ways of achieving policy goals. Just as insurance premiums should be actuarially based and fair and proportionate to the risks, capital adequacy and solvency requirements should also be realistic to allow efficient use of capital. Similarly, the penalties for non-compliance should likewise be realistic and related to the potential harm, as well as having the desired deterrent effect.

A principle-based approach to regulation places greater emphasis on concepts, while the execution is left to individual supervisory authorities. However, the criteria underlying the stated principles must also be clear, because these are the important conditions outside the regulation that must nevertheless prevail for the objective to be attained: in this case the objective of organising a sound microinsurance environment and market. The current IAIS Insurance Core Principles are sufficiently high-level, but may need to be revisited to check if they still conform to this idea. I will come back to this point later on.

The particularities of microinsurance versus conventional insurance clearly have regulatory implications. There is a wide divergence observed in the manner and extent to which different countries address microinsurance, and this can clearly affect legal certainty and lead to inefficient development of the market. There is thus a need for standards and for enhancing the consistent interpretation of those standards:

- Firstly, to provide benchmarks for use by microinsurance supervisors in all jurisdictions in adapting and improving existing regulatory regimes or, where necessary, establishing new ones;
- Secondly, to address regulatory issues, such as risk management and financial stability;
- Thirdly, to provide appropriate levels of consumer protection in terms of both risk and disclosure;
- Lastly, to support the orderly development of the microinsurance industry in terms of acceptable business and operational models, design and marketing of microinsurance products.

These challenges are more pronounced at times due to lack of consistency within the microinsurance industry. Ad hoc approaches, whereby similar situations are treated differently, tend to add to the transaction costs associated with particular activities. They can also create unnecessary bureaucratic layers, which may hinder smooth progress and innovation in the development of microinsurance. Regulations should also be consistent with each other to the extent that conflicting requirements are not being imposed on sections of the community or in particular economic sectors. It is, indeed, a positive trend to note that many experts address these issues, though often limited to their own perspective. Conferences like the one today are essential to reach a common view and to agree on common principles between the many stakeholders, such as governments, NGOs, CGAP and the IAIS.

Adapting supervision and regulation to new realities

The choice of an appropriate regulatory framework involves choosing an appropriate trade-off between the objectives of efficiency and financial stability. Our primary tools for achieving these objectives are regulation, prudential supervision and market discipline. In recent years, the changing financial-market landscape, along with deregulation and financial liberalisation, have caused us to rethink our views on the appropriate weights that we attach to our policy objectives. Our principal task going forward is to find a new equilibrium. As part of this task, we need to strike a new balance in the use of regulation, supervision, and market discipline. I think it is clear that we cannot return to, and probably do not want to return to, the highly regulated and segmented financial systems of the past. Yet, it may be necessary to recognise different types of insurance provider for different population segments. For example, in many emerging markets, mutual or cooperative insurers seem particularly well positioned to serve the low-income market.

Insurance supervisors want to give greater scope to the market to guide the evolution of the financial system. At the same time, we recognise that we cannot totally rely on market discipline because of moral hazard and safety-net concerns.

This is especially the case in many emerging countries where common trust in the insurance market still needs to be built. In that situation, one might wonder whether a rule-based approach would be even more suitable than a principle-based approach, because rules are easier for consumers to understand. On the other hand, in developed countries, where there is a certain level of sophistication and understanding among consumers, self-regulation through market-conduct rules and public disclosure make a principle-based approach possible and even more efficient and effective. As we proceed, we need to recognise the reality of different social and financial landscapes and determine where, on the scale from rule-based to principle-based, one should ideally be positioned.

An important element of the IAIS's work has been fostering close cooperation with the CGAP Working Group on Microinsurance to develop prudential standards for microinsurance which are consistent with the IAIS Insurance Core Principles (ICPs). The IAIS recognises the need to address the unique characteristics and attributes associated with microinsurance and greatly welcomes the continuing work with the CGAP Working Group on Microinsurance in integrating the international insurance standards with the microinsurance prudential standards. This contributes towards the development of a robust and resilient financial system that can effectively preserve financial stability and contribute to balanced growth and development. It also facilitates the integration of microinsurance as a viable component of the global insurance system.

The paper "Issues in Regulation and Supervision of Microinsurance", jointly finalised last June by the CGAP Working Group on Microinsurance and the IAIS, acknowledges that a sound regulatory and supervisory system is necessary for maintaining efficient, safe, fair and stable insurance markets and for promoting growth and competition in the sector. It also identifies general principles which are universally applicable and appear to require no adaptation to be applied to microinsurance.

Even though microinsurance has different features in many regards, a fundamental change in the ICPs is not foreseen. It is rather the criteria as to how the ICPs are interpreted with specific reference to microinsurance that may be subject to certain adjustments. The IAIS has set up a task force to look into possible revisions in some ICPs and the criteria, if necessary. I am sure that the IAIS-CGAP Joint Working Group will be able to provide the necessary input to this task force. This exercise is, anyway, also useful with reference to conventional insurance, since rules and principles have a tendency to become more and more complicated as, at each change, another layer of regulation is added to the existing ones.

In general, regulators must place increased reliance on transparency, public disclosure and market discipline for the efficient functioning of markets. Counterparties and investors need to have a clear, transparent view of the risks that firms and the industry are taking in order to manage their own exposures. Market discipline is clearly necessary to have an appropriate mix of incentives and disincentives. Undoubtedly, the most important step we can take toward enhancing market discipline is to encourage more accurate and detailed disclosure of financial information.

Also, intermediaries have an important role to play in this. They need to have a sufficient level of knowledge of the various facets of the business and their implications, besides possessing the competence to make the disclosures needed and to explain their significance to consumers. Intermediaries also need to understand the real demand from the customers in order to offer the correct products. If not, an expectation gap is created and this in turn may affect the market's confidence level.

With its potential to significantly change the insurance industry, the joint responsibility of microinsurance operators, intermediaries, experts, and regulators is needed to ensure the orderly and progressive development of this sector. Fostering greater international cooperation will also help with leveraging, not only in terms of the exchange and sharing of information to further accelerate the development of microinsurance globally but also to create synergies for the future development of international microinsurance standards.

Ensuring compliance with the regulatory regime

We find that, in today's markets, operators and intermediaries not only encounter the legal and commercial risks common to doing business in any domestic market, but must also navigate the complex combinations of legal, operational, market, credit and liquidity risks associated with doing business in multiple jurisdictions.

Often, the lack of transparency and clarity of the relevant rules – or lack of awareness by regulators of how regulatory differences can impact the marketplace – can, and do, inhibit the smooth transaction of business. I believe that the use of principles encourages accountability, as it fosters compliance with the spirit as well as with the precise letter of the law.

Of course, to ensure compliance, regulators cannot just talk among themselves. In today's complex world, regulators have to be good listeners – not just to each other, but also to those who use and operate in the markets. In this way, we can better understand the risks and practical concerns faced by insurance providers, and then thoughtfully consider these issues in setting regulatory modernisation agendas. In other words, regulators must continuously pay close attention to the developments of the marketplace and its evolving composition. In some developing countries a dual development of the market can be observed, with on the one hand highly knowledgeable clients such as industrial companies, and on the other hand poor consumers. The regulator must, therefore, ensure that regulatory requirements are clear and transparent and that oversight takes account of all levels of development they encounter in the marketplace and how business really gets done, so that supervision remains efficient and effective. I see a task for the IAIS Implementation Committee in this matter.

I would encourage industry participants to continue engaging actively and early with the regulatory authorities on the range of international regulatory and legislative developments in microinsurance so as to ensure that the authorities have the full benefit of your expertise. We must recognise, however, that regulatory initiatives also reflect a more complex environment. Governments and the public at large understandably want to ensure that safety and soundness are maintained despite complexity. The intricate challenge here is to find the right balance between regulation, on the one hand, and the fostering of industry-led solutions through improved risk management and market practices, on the other.

Conclusion

Resolving these important issues, as well as adopting best practices for supervision, are critical for future market and industry development. An appropriate regulatory regime serves as an effective tool in developing a feeling of trust amongst individual policyholders besides raising awareness and credibility of the microinsurance model. For the foreseeable future, supervisory authorities will continue to face the dual challenges of understanding the industry and striking a balance between providing effective supervision and facilitating the industry's legitimate aspirations for further growth and development.

The main message that I wanted to bring today is that microinsurance is an issue not only for emerging countries but for all countries, and that the choice of a rule-based versus a principle-based approach involves a thorough analysis of the level of development of the jurisdiction and its consumers, especially in emerging markets where we observe dual developments. For microinsurance, we have to find the right level on the scale of rule-based to principle-based approach, because what is at stake is the trust of society in insurance products as an adequate means of protection, without killing off the providers. In general, within the IAIS, we need to take a careful look at the ICPs and, whenever possible, bring them back to basics to avoid inefficiency as a result of complexity.

I conclude with the hope that this conference will be informative for all the stakeholders in microinsurance present here. I hope that the presentations and discussions will enlighten us on the vast possibilities that the sound development of microinsurance can achieve, caution us as to its implications and challenge, and come up with optimal solutions. I also hope that we share experiences, learn from those of other countries and forge action plans. It is in this sharing and learning that I see we can strengthen our efforts in developing microinsurance.

Thank you and have a productive conference.

Plenary 1

Microinsurance regulation, supervision and policy issues

Round table

Increasing access to insurance for the poor will require appropriate regulatory and policy structures to allow for the emergence of new products and services. Existing regulatory and supervisory methods do not always balance the need for prudence with the goal of broadening financial inclusion. Determining an appropriate policy framework for these innovative practices is a challenge for regulators, donors, and insurance providers.

The goal is to create an enabling environment that develops insurance markets while protecting consumers. In most countries, the existing insurance policy framework is not equipped to deal with microinsurance customers, the products they buy and the non-traditional market entrants offering them. Five country case studies clearly indicate the lack of a level playing field for microinsurance, with both explicit and implicit barriers.

There are certain key limiting effects, such as:

Range of partners: Prudential rules like capital requirements and extensive operational and reporting rules limit the number of non-traditional providers and their ability to become legal insurers or act as intermediaries. Cooperatives, mutuals, NGOs or associations and micro-finance institutions (MFIs) serving the low-income market are often unable to provide insurance within existing legal frameworks.

Informal schemes that fall outside of regulation sometimes compete as well, but are not regulated, which does not allow them to grow and can create an uneven playing field.

Ability to penetrate low-income segments: Regulations designed for middle-income and upper-income markets – like proof-of-residency requirements, consumer protection rules, commission caps and money laundering rules – restrict the ability of traditional insurance companies to do business with the poor. Restrictions on who can sell insurance and collect premiums also reduce the ability of organisations to actually reach into low-income areas.

Competition: Access to legal microinsurance products is often confined to existing market players, who may or may not see the poor as a segment with specific needs. Competition is weak due to the limited range of actors (see above) and because of weakly articulated demand, and hence missing as a driver of market development.

Policy options

Insurance regulators therefore have to create rules and regulations that allow both for broader participation in the market and for the provision of products most appropriate to the low-income bracket.

What sorts of policies should be supported to create a market for microinsurance? As markets and regulatory structures differ, a number of options could be used to help increase the supply of insurance services aimed at the poor. Take India, Colombia and Peru for example:

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Left to right:
José Carlos
Gómez, SBS, Peru;
Jeremy Leach,
FinMark Trust,
South Africa; Arup
Chatterjee, IAIS,
Switzerland.



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Left to right:
Craig Thorburn,
World Bank, USA;
Brigitte Klein,
GTZ, Germany.



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Left to right:
C. S. Rao, Chair-
man, IRDA, India;
Roberto Junguito,
Executive Presi-
dent, FASECOLDA,
Colombia.



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Plenary 1

Round table

Mandated provision: While allowing private competition, India decided to require insurance providers to deliver a certain percentage of their overall policies to rural and vulnerable people, with these minimum targets increasing annually. In so doing, India has forced insurers to innovate to provide services to previously underserved groups.

Market-driven approach: In Colombia, traditional and cooperative insurance companies have begun offering an array of products to the low-income market. This has occurred as a result of product innovation, market competition and consumer demand, as opposed to new or modified insurance regulation.

Creating a regulatory space: In Peru, regulators sought to develop regulations that allowed for the provision of insurance products for the poor. Modified rules creating new distribution channels allow insurance companies to deliver products to the poor. The aim is to reduce regulatory uncertainty and open a new market for insurance companies.

To help activate the low-income market, national regulators have been considering whether microinsurance requires new specific laws, whether it can be accommodated into existing rules and regulations, and whether some regulatory forbearance should be applied.

Issues paper

The International Association of Insurance Supervisors (IAIS), supported by the CGAP Working Group's Subgroup on Regulation, Supervision and Policy Issues, having worked on an issues paper with some 80 national regulators, is leading efforts to create regulatory standards in this new area.

The IAIS highlights both the need for top-down approaches that facilitate existing insurance providers entering the low-income market, and bottom-up approaches that help existing, unregulated providers to become regulated.

While the IAIS does not believe that a modification of the Insurance Core Principles is necessary, it suggests that capacity building for insurance regulators, some flexibility in the application of certain rules, and a degree of initial regulatory forbearance might be necessary.

The issue of the regulation and supervision of microinsurance is a key instrument that policymakers have to promote insurance market development and protect consumers. However, there are other policy tools, like financial access policy, tax incentives or industry dialogue, which can help achieve this goal more rapidly when implemented in parallel. In an increasing number of countries, policy makers, including regulators, have been assuming a developmental role apart from their traditional role as a facilitator.

Box 3

The way ahead: Policy issues

- 1 Policymakers, regulators and supervisors are the drivers for a national financial access policy to mainstream microinsurance. For this they require a mandate, ownership and resources.
- 2 The future of microinsurance lies in a licensed setting that will permit massive and sustainable insurance delivery to the poor. However, not all microinsurers have to or can be regulated under the insurance law.
- 3 The internationally accepted Insurance Core Principles provide a sound framework. Adaptations are required that take into account the specific features of microinsurance.
- 4 We can learn from the lessons of regulating deposit-taking microfinance institutions, where depositors' protection was the main objective.
- 5 Policymakers need to understand the barriers and potentials by means of a country diagnostic of microinsurance.
- 6 Mutual learning among market players, policymakers, regulators and supervisors can speed up regulatory innovations and other policy solutions by the exchange of international best practices (e.g. through international and national dialogue and cooperation).
- 7 Impact evaluations of policy reforms are a key element of the gradual move towards financial inclusion.

Source:
Klein, Brigitte.
Presentation
'Creating an
enabling policy
environment for
microinsurance'.
Microinsurance
Conference 2007.

Agenda

Day 2 afternoon sessions 14 November 2007

Parallel sessions

Parallel session 1

Regulation, supervision and policy
Facilitated discussion on India's
approach to microinsurance
regulation

Speakers

Introductory presentation
G. Prabhakara
IRDA, India

Facilitators

Craig Churchill
ILO, Switzerland
Ralf Radermacher
Micro Insurance Academy, India

Parallel session 2

Improving efficiency and
enhancing benefits
Institutional models

Doubell Chamberlain
Consultant to FinMark Trust,
South Africa
Richard Leftley
Opportunity International, USA
Selim Ahmed Chowdhury
ASA, Bangladesh

Jeremy Leach
FinMark Trust, South Africa

Parallel session 3

Innovative microinsurance
products
Agriculture case studies

N.V. Ramana
Group CEO, Basix, India
Pranav Prashad
ICICI Lombard General
Insurance Co. Ltd., India
Palanisamy Muthusamy
DHAN Foundation, India

Jim Roth
MicroInsurance Centre, USA

Parallel session 4

Innovative microinsurance
products
Health

Tara Sinha
SEWA Social Security, India
David Dror
Micro Insurance Academy, India
Elizabeth Nalloor
Raigarh Ambikapur Health
Association (RAHA), India

Valérie Schmitt-Diabate
ILO, Switzerland

Parallel session 5

Group versus individual insurance
Experience from the field

Vijay Athreye
Tata AIG Life Insurance
Company Ltd., India
Rob Rusconi
Actuary, South Africa
Shilpa Pandya
SEWA, India

Denis Garand
Consultant, Canada

Plenary 2

Improving efficiency and
enhancing benefits
Understanding the need for
efficiency and customer value

Denis Garand
Consultant, Canada
Bert Opdebeeck
Belgian Raiffeisen Foundation,
Belgium

Michael McCord
MicroInsurance Centre, USA

Parallel session 1

Regulation, supervision and policy Facilitated discussion on India's approach to microinsurance regulation

Insurance is one of the fastest growing industries in India – owing in part to the development-oriented regulations introduced by IRDA. At the micro level – including those at the bottom of the pyramid (BOP) and others who are marginally below the poverty line (MBPL) – there is a demand-supply gap as well as other constraints.

Stand-alone microinsurers were not considered feasible. Instead the IRDA chose the partner-agent model, involving formal insurers and informal institutions (India has 2.3 million self-help groups) and requiring insurers to write prescribed amounts of business from the rural and social sectors (see Box 4).

Other features of the regulations are: the tie-up of life and non-life insurance, a new institutional channel using microinsurance agents, and expansion of coverage from the individual to the family.

A participatory analysis by subgroups of those attending the session looked at India's model from four perspectives – regulatory, insurer, delivery channel and policyholder – and brought out the following points:

- The IRDA covers only commercial insurers registered with it; informal “insurers” are not included.
- Existing channels, other than the partner-agent arrangement, set up by commercial insurers for the micro market can continue to work and are not barred.
- For non-compliance by insurers, penalties may be financial but, more to the point, the IRDA asks them to explain the reasons and satisfy the unmet conditions in the following year. Most insurers meet the requirements.
- Microinsurance agents are not subjected to a pre-licensing test and can be engaged by mutual agreement. They have a needs-based reward: level commissions across the policy's term. This ensures after-sales service.
- So far, ten insurers (six life, four non-life) have filed ten microinsurance products: endowment and term insurance, package cover, and crop insurance. However, additional innovative products in sync with rural needs and backed by an efficient delivery system should be developed to help bridge the demand-supply gap.

Box 4

Mandatory business norms to cover rural and social sectors

Rural sector

Life insurers

- First five years: 7%–16% of total policies underwritten
- Sixth to tenth* year: 18%–20%

Non-life

- First five years: 2%–5% of total gross premium
- Sixth to tenth* year: 5%–7%

Social sector

Life and non-life

5,000–20,000 lives for the first five years and 25,000–55,000 lives for sixth to tenth year*

Source:
Prabhakara, G.
Presentation
'Evolution of
microinsurance
regulations
and latest
developments'.
Microinsurance
Conference 2007. *Pending
notification

Lessons learnt

- For quality enforcement, microinsurance products are subject to regular checks and monitoring by IRDA – with minimum and maximum caps on limits.
- Microinsurance agents have mandatory training norms and a code of conduct.
- Policy forms are simple, and documents can be issued in vernacular languages.
- Costs on smaller policy sizes are offset by higher volumes. In a country of one billion, mass marketing is a cost-effective and profitable option for gaining a market share.



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Parallel session 2

Improving efficiency and enhancing benefits
Institutional models

Microinsurance is typically provided through partner-agent and mutual models. The organisations involved in providing microinsurance products have become diverse, yet focusing on three specific roles can highlight areas where transaction costs can be minimised and where product design can be improved to fit client demands.

These three roles include:

Risk carrying: Appropriate risk transfer to intermediaries and capital markets.

Distribution and front office: Client education and marketing, interacting with clients and receiving claims. The location of front offices can be quite innovative, including post offices, mobile phone retail shops, etc. It is important that front offices have the capability to service the policies they sell, and balance the incentive to sell high volumes of policies with the need to properly service those policies.

Administration and back office:

Claims processing and management, staff training, product development, marketing support, and information processing systems.

When these three roles are balanced and effective, the degree to which microinsurance innovations can occur is significant.

The potential for the greatest reductions in transaction costs is in the back-office functions (use of technology to manage information and claims) and front-office functions (marketing and product design).

Front offices on site should work closely with clients and potential clients on product design. A cheap product which does not fit the client's needs and which the client cannot claim upon is of little value and will have a low demand. More expensive but more tailored products may have a higher value for the client.

Some of the potential areas for future coverage could include partnerships with humanitarian aid and child support agencies, and agencies with front offices like mobile phone retail shops, post offices, etc.

23
Craig Churchill,
ILO, Switzerland.

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Participants at
parallel session 1
working on the
lessons learnt
in this session.

25
G. Prabhakara,
IRDA, India.

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Left to right:
Jeremy Leach,
FinMark Trust,
South Africa;
Selim Ahmed
Chowdhury, ASA,
Bangladesh;
Richard Leftley,
Opportunity
International,
USA; Doubell
Chamberlain,
FinMark Trust,
South Africa.



Parallel session 2
Institutional models

Through the effective use of technology and information-management systems, Opportunity International Micro Insurance Agency has pioneered solutions in product development, staff training, marketing support, and back office administration, and serves upwards of 3.3 million clients across life, health, and weather-index products.

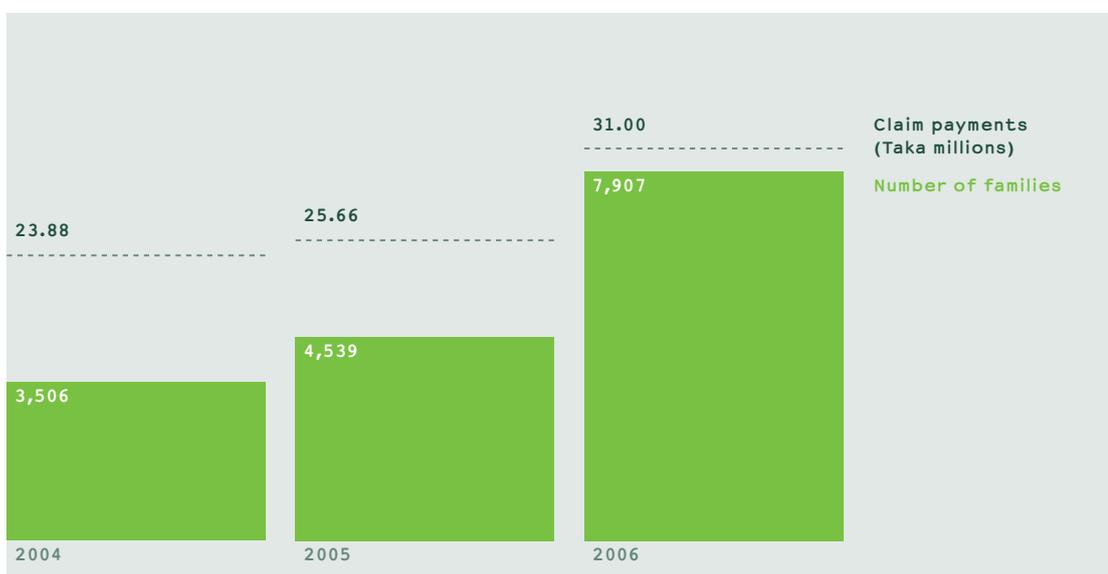
ASA Bangladesh has reached over seven million clients with life and health products tied to its credit insurance, including mini-life insurance and a fund to cover the death of the household guardian.

Lessons learnt

- Distribution and client education are key to the uptake of micro-insurance products.
- Microinsurers must be sustainable and function at low revenue levels. This requires minimisation of transaction costs through management information systems and technology.
- Customers are best-placed to help design the product.
- One of the highest demands for microinsurance coverage is for health, which is also one of the most challenging kinds of cover to provide.
- Particularly in rural areas, climate-related risks must be minimised. The potential demand for weather-index-based products could be large.

Figure 3
Loan insurance claim payments of ASA Insurance for the last three years

Source: Chowdhury, Selim Ahmed. Presentation 'ASA Insurance Service'. Microinsurance Conference 2007.



Parallel session 3

Innovative microinsurance products Agriculture case studies

Agriculture is still the most important economic sector for low-income households in India, as it contributes 24% of India's GDP and employs 56% of the country's workforce. The industry is highly dependent on rainfall and perennial irrigation sources. However, despite the importance, agricultural microinsurance still seems hardly available.

In 2003, ICICI Lombard together with the World Bank and Swiss Re developed an index-based insurance product to help low-income farmers by weather-related risk management. It covers the following weather perils:

- Deficit, excess and unseasonal rainfall
- High relative humidity
- Excessively high and low temperatures
- Prolonged dry spell
- A combination of the above

Based on these perils, different indices are designed to represent estimated losses for various crops in different agro-climatic zones. The required data are provided by National Collateral Management Services Limited (NCMSL) and India Meteorological Department (IMD) weather stations.

The distribution is done through NGOs such as BASIX and the DHAN Foundation. These NGOs serve as an interface between insurers and clients. The insurance company receives the premium in one sum from the NGO and transfers the total benefit directly to the NGO when the index triggers the benefit payout. The organisations collect the premium from and transfer benefits to individual policyholders.

Initially tested for castor and groundnut crops, the insurance scheme is now being extended to various crops, such as soybean, paddy, cotton and grapes. Up to now the insurance scheme has covered 200,000 farmers in 130 locations.

Box 5

Reducing basis risk – Automated weather stations at block level

Basis risk is the inability to measure weather data at precisely the customer location.

- Tie-up with National Collateral Management Services Limited for installing Automated Weather Station (AWS) at block level.
- Supplements India Meteorological Department's district-level weather stations.
- AWS provides real-time daily data through automated calling process.
- Covering 113 locations to reduce basis risk (up from 64 locations in previous years).

Source:
Prashad, Pranav.
Presentation
'Role of micro-insurance in financial inclusion: Focus on index-based insurance'.
Microinsurance Conference
2007.



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Left to right:
Palanisamy
Muthusamy, DHAN
Foundation, India;
Pranav Prashad,
ICICI Lombard
General Insurance,
India; N.V.
Ramana, Basix,
India; Jim Roth,
MicroInsurance
Centre, USA.

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Participants in
parallel session 3
listening to the
presentation by
Pranav Prashad
on index-based
insurance.

Parallel session 3

Agriculture case studies

The pilot phase also identified challenges such as:

- Basis risk due to inadequate bio-actuarial design and rainfall variations between field and measuring station;
- Restriction to areas around weather stations with historical data;
- Costly premiums, ranging from 15–38% of sum insured;
- 12.24% service tax to be paid on premium;
- Inadequate client comprehension.

The experience from this insurance scheme underlines once more that basis risk is still a challenge for most index-based weather insurance products. Weather data provided by weather stations does not necessarily reflect the situation in the fields, as they are at least five kilometres away from the closest weather station. Besides imprecise weather data, factors such as pests can lead to a harvest failure, but are not reflected in a weather index.

The DHAN Foundation also launched three mutual crop insurance pilots in 2006 and 2007 as part of its rain-fed farming development programme and a follow-up to the deficit rainfall insurance pilot. The mutuals – the first of their kind in India – require government support to build the solvency fund for back-up and reinsurance.

Although basis risk cannot be completely excluded, it can be reduced by designing individual products for specific locations and specific crops. Moreover, a dense network of weather stations can improve the available database.

Lessons learnt

- One size does not fit all.
- Products need to be made for each location or district individually, while scale is an issue.
- Involvement of local agencies is critical for peril identification and testing of models.
- Close cooperation with international reinsurers is needed for developing risk models and policy pricing based on historical data and introducing mechanisms for monitoring the policies.
- Getting relevant data is a big challenge.
- Cooperation with local organisations like agriculture universities and public disaster-management agencies is essential.

Parallel session 4

Innovative microinsurance products Health

VimoSEWA, India

Number of insured
110,000

Benefit

Voluntary life, health and asset protection

Premium range

US\$ 2.38–5.05 p.a.

Health microinsurance is a promising approach to providing people excluded from statutory and private health insurance schemes with real access to health insurance. It has the potential to provide essential, quality health coverage, in an efficient manner to people with limited financial resources.

In trying to reach this goal, health microinsurance faces challenges related to

- the benefit package, as it does not respond to all the health needs of the people covered and does not necessarily address public health needs;
- affordability, because in most cases the premiums are flat-rate and not affordable for the poorest;
- increasing the breadth of coverage in terms of the number of people covered, and broadening access to the poorest;

- improving technical performance by creating systems to deliver insurance in an efficient manner;
- developing relationships with healthcare providers to improve the quality and quantity of the health services delivered.

These challenges may be met through various technical, regulatory and social innovations as well as linkages with other actors, including the state, private companies, statutory social security schemes, insurance companies, third-party administrators, and the healthcare sector.

A survey on health insurance in India in 2005, involving the insured and uninsured from three different cities, revealed common beliefs and key criticisms of micro health insurance, which can be addressed as follows:

- Wealth and equity: Individuals who have insurance are not richer than non-insured individuals, as commonly assumed. Also, insured groups are more homogeneous, demonstrating that social cohesion has an effect on the likelihood of having coverage.

- Health status and hospitalisation usage: Insured individuals report more illness than the non-insured. This may be a result of a better understanding of their health needs. The insured group was more equitable with regard to hospitalisation use.

- Health costs: Drugs and primary health consultations, not hospitalisation, are the leading health costs for the poor. This leads to questions about the efficacy of insurance for hospital costs. Importantly, there is a positive correlation between health spending and insurance coverage, and an even more pronounced correlation for prescription-drug use by the insured who were given a subsidy for drug costs.

There are also technical challenges in delivering micro health insurance. VimoSEWA moved from a reimbursement model, where insured individuals pay and are reimbursed after hospitalisation on submission of the hospitalisation documents, to a model where the insured is reimbursed while still in hospital. Though the change has reduced costs, hassles, and payment times for the insured, it did not result in initial broad acceptance by clients. Client education, a better understanding of the members' hospital preferences and of the insurance needs of both rich and poor clients are needed to reform insurance payment systems effectively.

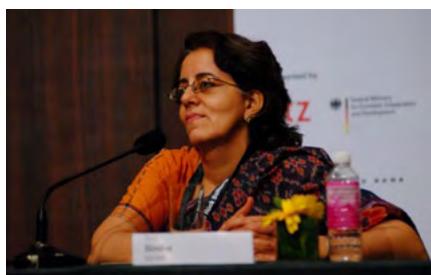


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29 Elizabeth Nalloor, RAHA, India.

30 Tara Sinha, SEWA Social Security, India.

31 Left to right: Valérie Schmitt-Diabate, ILO, Switzerland; David Dror, Micro Insurance Academy, India.



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Parallel session 4
Health

RAHA micro health insurance, India

Number of insured
90,000

Benefit
Health

Premium range
US\$ 0.5 p.a.

Raigarh Ambikapur Health Association (RAHA) delivers health insurance to 90,000 indigenous members in northeastern India, an area underserved by government. It was initiated in 1980 with the following objectives:

- Subsidise the cost of members' medical care;
- Encourage participation in health services;
- Strengthen tribal solidarity;
- Reduce exploitation by moneylenders.

The scheme subsidises the costs of healthcare delivery by village health workers, local primary care centres and regional hospitals.

All schoolchildren are required to be covered and insurance provides an opportunity to deliver preventative medical advice and programming at a village level. But educating the community on the concept of insurance is a constant challenge.

In view of poor geographical accessibility, RAHA improved the quality of care and equipment at its rural health centres to reduce referrals to hospitals. This is also of comfort to the tribal people, as the rural health nurse is in constant contact with them and lives in their area.

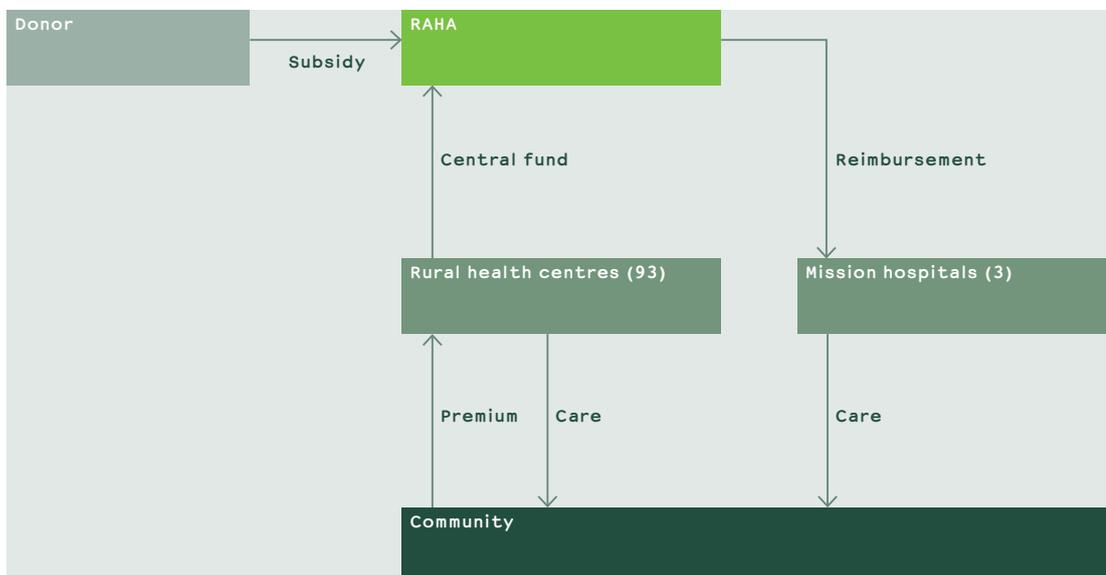
Micro health insurance is gaining wider recognition as a means of broadening access to health services. New approaches, experimentation, and impact research are needed, however, to ensure that the most appropriate and best quality services are being provided to those insured.

Lessons learnt

- Social cohesion affects likelihood of having health coverage.
- Educating the community on the concept of insurance is a constant challenge, but it provides an opportunity to deliver preventative medical advice.
- Improving quality of care and equipment at rural primary care centres will reduce referrals to regional hospitals.
- Administrative changes in claim payment systems to reduce costs and hassles may not win acceptance of clients. Impact research is needed to better understand their needs and preferences.

Figure 4
Rural health centres to reduce hospital referrals

Source: Nalloor, Elizabeth. Presentation 'Innovations in micro health schemes in tribal context'. Microinsurance Conference 2007.



Parallel session 5

Group versus individual insurance
Experience from the field**Tata AIG Life Insurance Company
Ltd, India**

Number of insured
184,000

Benefit

Life insurance with five-year term and double indemnity accidental death benefit and 15-year term with return of premium on maturity

Premium range

US\$ 1.7 – 15/term p.a.
4–50/return of premium plan p.a.

Field experience with group and individual insurance plans is mixed, depending on market conditions and the country's regulatory framework. In India, for example, the Insurance Regulatory and Development Authority (IRDA) adopted a regulation framework for the provision of microinsurance products in 2005. The framework includes both individual and group insurance, but is basically in favour of individual contracts, especially when it comes to life microinsurance products.

Tata AIG Life Insurance Company, which operates in 11 Indian states, mainly sells its products on an individual basis. This practice reflects not just the regulatory framework but also characteristics of the market segment served.

The target group in rural and urban areas is highly unorganised. Sizeable groups for a purpose other than insurance largely do not exist. Lack of data, e.g. names, age, occupation or income, is another challenge, better tackled by individual contracts.

Tata AIG also finds the market too heterogeneous for group contracts to serve the clients' needs appropriately. Instead, consumers need to have a choice. In a market such as that of Tata AIG, group plans tend to exclude people and to be less inclusive than generally believed. Besides, people covered by group plans are often not aware of being insured, a problem avoided by individual insurance.

Tata AIG is investing in a retail initiative to scale up and enhance sustainability.

Field experience with endowment policies in South Africa is less straightforward. Today, some 300,000 people have access to endowment products there, with retirement and education expenses the main reasons for signing such long-term savings contracts. Policies are offered as individual as well as group plans. Insurers are free in their choice of the method to use, as government requirements do not exist.

32
Vijay Athreye,
Tata AIG Life
Insurance, India
(standing).

33
Shilpa Pandya,
SEWA, India (right).

34
Rob Rusconi,
Actuary, South
Africa (standing).



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Parallel session 5

Experience from the field

In South Africa, the pure, individual model has achieved only limited success. Transaction costs and costs resulting from moral hazard and adverse selection have been high. Only a few products have offered real value for money. However, success stories of individual provision exist. The key is that entities should be prepared to take a very long-term view, offer simple and reasonably priced products, compromise access or flexibility objectives, and be able to tap into the market through affinity groups and community arrangements.

In contrast, the market for group plans in South Africa has largely been facilitated through occupational retirement funds and is developing rapidly. However, the demand for funds has been low among the poorest employers, even in the formal sector. Furthermore these arrangements have failed to reach the extensive informal sector at all.

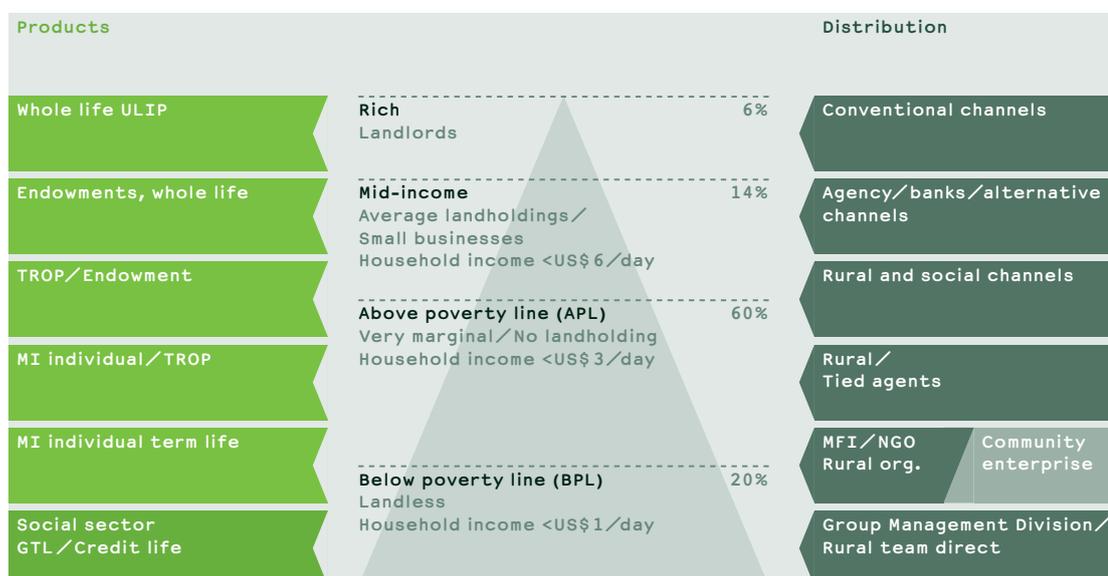
Experience in India as well as in South Africa shows that both individual insurance and group insurance have a part to play in serving the micro-insurance market. Whereas group insurance especially facilitates development of the market at the initial stage, individual insurance comes into play with advancing technologies, knowledge and experience.

Lessons learnt

- Whether customers are enrolled predominantly by group or individual contracts depends not least on a country’s regulatory framework.
- Individual plans are superior if the market is extremely heterogeneous, if customers are highly unorganised and if data are lacking.
- Group plans are attractive as they imply lower transaction and administration costs and reach a larger number of customers more quickly.
- Endowment policies are relatively complicated and hard to deliver. Here, individual plans become more common as an insurer’s experience increases.
- Some insurers enrol customers on an individual basis, but use group methods.

Figure 5 Rural life markets – Products and distribution

Source: Athreye, Vijay S. Presentation ‘Group and retail micro-insurance: Tata AIG Life’s learnings’. Microinsurance Conference 2007.



Plenary 2

Improving efficiency and enhancing benefits Understanding the need for efficiency and customer value

A focus on customer value and work efficiency contributes not only to satisfied customers but also to the sustainability of any microinsurance provider. Performance analysis is an important tool in achieving work efficiency. Accordingly, performance should be measured and compared with predefined goals, peers and historical data regularly. By comparing own results with a benchmark, management has a tool for making well-informed decisions and improving the organisation. In addition, it helps build credibility to attract investors and partners.

Among performance areas that need to be measured are:

Financial stability: Net income, incurred expenses, and incurred claims ratios help organisations determine their relative financial stability and profitability. Also, these indicators can be used to detail how much value clients are getting from purchasing insurance.

Client Service: Renewal rate, promptness of claims settlement, and claims rejection ratios can indicate the service clients are receiving and provide a proxy for client satisfaction.

Outreach: Growth and coverage ratios detail changes in market penetration and the appeal of different insurance products.

Sustainability: Solvency and liquidity ratios show the capacity of insurance providers to meet their short-term and medium-term commitments.

On behalf of the CGAP Working Group, Appui au Développement Autonome (ADA), Luxembourg, and the Belgian Raiffeisen Foundation (BRS) convened practitioners and experts to two meetings in 2006 and 2007 to identify key principles and develop a standard set of ratios that microinsurance providers can use to evaluate their programmes.

Key principles

Some key principles on which sound performance analysis should be based are:

Separation of data: Each activity should be analysed independently, e.g. non-microinsurance activities such as microcredit, should be separated from microinsurance activities.

Collection of relevant and accurate data: Robustness and relevance of collected data are essential and the management information systems used should be equal to the task.

Production of financial statements: Balance sheets, income statements and cash flow statements should be provided at least quarterly and submitted on time.

Calculating and setting up premium and claims reserves: All risk-bearing microinsurers must calculate and set up reserves.

Efficient and continuous claims monitoring: The source and patterns of claims must be understood to respond to emerging problems.

Clear investment policy: Investment policy defines asset quality, diversification and asset-liability matching.

Technical insurance capacity: The microinsurance provider must possess in-depth insurance knowledge. Internal and external audits as well as management information systems support the analysis of insurance capacity.

Transparency: Data should be accessible and presented in a meaningful and understandable language and format.

Client focus: Every management decision should always consider the impact of the decision on the client. Accordingly, performance indicators should be analysed from the client's perspective first.

Performance indicators

In the process of selecting performance indicators, microinsurance providers can draw on different sources, such as the experience of the insurance industry, ratios defined by the regulator, indicators used by rating agencies or the following, developed by the CGAP Working Group:

- 1 **Net income ratio**
= Net income/Earned premium
- 2 **Incurred expense ratio**
= Incurred expenses/
Earned premium
- 3 **Incurred claims ratio**
= Incurred claims/Earned premium
- 4 **Renewal ratio**
= Number of renewals/
Number of potential renewals
- 5 **Promptness of claims settlement**
= Percentage of claims settled at intervals of 0–7 days, 8–30 days, 31–90 days, and more than 90 days
- 6 **Claims rejection ratio**
= Number of claims rejected/
All claims reported
- 7 **Growth ratio**
= [Number of insured (n) – Number of insured (n–1)] / Number of insured (n–1)
n denotes any period and n–1 one period prior to period n
- 8 **Coverage ratio**
= Number of insured (n) /
Target population (n)
- 9 **Solvency ratio**
= Admitted assets/Liabilities
- 10 **Liquidity ratio**
= Available cash or cash equivalents/Short-term payables (three months)

Plenary 2

Understanding the need for efficiency and customer value

While metrics to gauge organisational effectiveness are necessary and may contribute to improved products, they do not provide the social impact of insurance. To ensure that microinsurance targets, reaches and benefits the poor, there is a need for an 11th indicator that would address the social dimension of microinsurance provision.

The indicators help identify important issues for microinsurance delivery, serve as a basis for regulatory oversight and are easy to use, each providing essential insights into the quality and efficiency of product delivery. Many microinsurance organisations operate in a regulatory vacuum and the indicators are meant to provide prudential information for organisations and, potentially, help facilitate their regulation and supervision. The calculations are also meant to be simple, using basic organisational information, and applicable to different insurance products offered. If a problem is found with some indicators, the microinsurance provider should come to grips with the underlying issues prior to searching for appropriate solutions. Additionally, noting the direction of indicators from year to year is important.

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Denis Garand,
Consultant,
Canada.

36
Left to right:
Bert Opdebeeck,
Belgian Raiffeisen
Foundation,
Belgium; Michael
McCord, Micro-
Insurance Centre,
USA.

Fact sheet

The indicators will not have an impact unless they are widely embraced and used by practitioners. BRS is currently developing a microinsurance fact sheet, an Excel-based document enabling microinsurance providers to apply these indicators to their operations. Further capacity building is required to help train microinsurance organisations to calculate, use and apply these indicators.

The broad use of indicators by many microinsurance actors may allow for comparisons across or within different countries and product categories. Such transparency could also help set international benchmarks and performance standards. There is a debate as to whether and how this information can be made public. One suggestion is to use a model similar to the microfinance field, where the MIX Market was introduced by using free anonymous comparisons with other programmes. This provided a defined incentive for organisations to disclose and even publish their information. Another suggestion is that donors require insurance providers to supply this information.

It is said that you cannot manage what you cannot measure. Indicators allow an organisation the ability to measure how well it is achieving its objectives. By understanding these indicators, management is better able to build on the organisation's strengths and deal with its weaknesses. As a first step towards greater transparency and accountability, the indicators will help the microinsurance sector provide value for its clients' hard-earned money.

Lessons learnt

- The microinsurance industry is still a sector with limited experience, but with great potential to develop and grow.
- The microinsurance models represented at the workshops differed substantially, which was important in order to come up with a standard set of indicators.
- Principles are the foundation which guarantees that data are accurate and adequate, and indicators measure performance using those data.
- Principles and indicators should be clearly defined and differentiated.



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Agenda

Day 3 morning sessions 15 November 2007

Parallel sessions	Speakers	Facilitators
Parallel session 6 Regulation, supervision and policy Regulating mutuals and cooperatives	<u>Camilo Casals</u> RIMANSI, Philippines <u>Sabrina Regent</u> ILO, Senegal <u>Tara Sinha</u> SEWA Social Security, India	<u>Sabbir Patel</u> ICMIF, UK
Parallel session 7 Improving efficiency and enhancing benefits Information technology I	<u>Pranav Prashad</u> ICICI Lombard General Insurance Co. Ltd, India <u>Francis Somerwell</u> Microcare, Uganda <u>Hugo de Grandchant</u> Zurich, Bolivia	<u>Craig Churchill</u> ILO, Switzerland
Parallel session 8 Improving efficiency and enhancing benefits Consumer education I	<u>Lemmy Manje</u> ILO, Zambia <u>Elizabeth McGuinness</u> Microfinance Opportunities, USA	
Parallel session 9 Innovative microinsurance products Potential of microinsurance to address disaster risk	<u>Mehul Pandya</u> Regional Risk Transfer Initiative, India <u>Ian O'Donnell</u> ProVention Consortium Secretariat, Switzerland <u>M. G. S. Sunil Silva</u> Yasiru Mutual ProVident Society, Sri Lanka	<u>Koko Warner</u> UNU-EHS, Germany
Parallel session 10 Group versus individual insurance Analysing the options	<u>John Pott</u> AKDN, Switzerland <u>Catherine Tremblay</u> Développement International Desjardins, Canada	<u>Ellis Wohlner</u> Consultant to Sida, Sweden
Plenary 3 Group versus individual insurance	<u>Ellis Wohlner</u> Consultant to Sida, Sweden <u>Denis Garand</u> Consultant, Canada	<u>John Pott</u> AKDN, Switzerland

Although more people are rising above the poverty line and are enabled to protect their lives, living standards and assets, many more still seem beyond the insurance industry's reach.



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37 The conference office of the Munich Re Foundation: Markus Heigl, Petra Hinteramskogler and Angelika Boos.

38 Parallel session 9 opens the discussion on the potential of microinsurance to address disaster-related risks.

39 Gayathri Sakthirajan (centre), DHAN Foundation, India, talking to two colleagues from India.

40 Left to right: Craig Churchill, ILO, Switzerland; Brandon Mathews, Zurich Microinsurance, Switzerland; Arun Kashyap, UNDP, USA.

41 Kulmie Samantar, Mutualité Française, France (second from left), outlining views on microinsurance during one of the breaks.

Parallel session 6

Regulation, supervision and policy Regulating mutuals and cooperatives

Mutuals and cooperatives are member-owned organisations set up to serve the needs of those members. Though differing in name and structure according to country, they are all governed by their members, to whom they offer financial services, including insurance services.

While some mutuals and cooperatives are large insurers, many are small and are currently not regulated as insurance companies or cooperative or mutual insurers by national insurance supervisors. This has led to some mutuals providing insurance services without the prudential oversight provided by the insurance supervisors, or has limited the types and scope of product that can be offered. In some countries, mutual insurance schemes have failed or have reached a scale that has begun to lead to increased scrutiny by regulators.

Two key questions emerge:

- How should insurance regulators deal with mutual insurance providers?
- Should member-based insurance providers seek to be regulated within current rules or should they lobby for specific changes more appropriate to their structures?

Current regulation on insurance cooperatives in India

- Insurance cooperatives permitted by the IRDA, treated as any other insurance company.
- Capital requirement for starting a cooperative INR 100 crores (US\$ 25m) – the same as any insurance company.

SEWA's suggestions

- Reduce capital requirements for microinsurance cooperatives.
- Remove service tax from microinsurance.
- Enable operationalisation of membership-based insurance organisations through flexible regulations and capacity-building.

In India, cooperative and mutual insurance providers are limited to delivering microinsurance products using the partner-agent model. This requires a cooperative to find a willing insurance company and deliver a product with them.

Large cooperative insurers in India, like VimoSEWA, believe that they are capable of delivering insurance services on their own. The current regulation restricts their ability to become independent providers even though they have experience in dealing with product delivery and design.

In West Africa, the ILO has been supporting the eight member states of the West African Economic and Monetary Union in the drafting of a subregional legal framework on mutual health organisations. This regulation will be overseen by a national authority, mainly the health and labour departments or the ministry of finance in national governments. The new framework will place health mutuals outside the commercial insurance regulatory sphere and the regulation is designed to reflect the actual practices of these micro health insurance providers. This has raised questions as to whether health and mutual insurance can and should be regulated separately from other commercial insurance products.

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Left to right:
Sabbir Patel,
ICMIF, UK; Tara
Sinha, SEWA Social
Security, India;
Sabrina Regent,
ILO, Senegal.



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Camilo Casals,
RIMANSI,
Philippines.



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Parallel session 6

Regulating mutuals and cooperatives

RIMANSI, Phillipines**Number of insured**

Network of six insurers covers 600,000

Benefit

Life, credit life, medical reimbursement, pension

Premium range

US\$ 6–24 p.a.

In the Philippines, RIMANSI, a microinsurance resource centre, has functioned as a mediating organisation, able to assist mutuals and cooperatives to become licensed microinsurers, so-called microinsurance mutual benefit associations (MI-MBAs). The organisation has also been able to assist the Insurance Commission (IC) in becoming better acquainted with this particular mutual or cooperative model. Thus, a constructive relationship has been able to emerge between mutual insurance providers and the IC.

Lessons learnt

- Insurance regulations must accommodate and recognise the distinct character of mutual and cooperative insurance providers. As organisations that have traditionally provided insurance to under-served groups, they are instrumental in increasing insurance market access for the poor.
- Especially in developing countries, there is a need to provide for the licensing of mutual benefit associations and insurance cooperatives.
- The licensing of mutual associations and insurance cooperatives needs to be clearly integrated into both the regulatory framework of insurance and that of cooperatives and non-stock, non-profit organisations.
- In addition to licensing mutuals and insurance cooperatives, ensuring performance on a par with the rest of the insurance industry is also necessary.
- The regulation of mutual associations and insurance cooperatives needs to balance outreach with other performance objectives and standards if these institutions are to be harnessed for microinsurance.
- Regulation needs to stay on top of changes in industry conditions and in business strategies. An institutional partnership between mutual associations and insurance cooperatives with the Insurance Commission and Department of Finance is necessary to keep regulation relevant and effective.
- A microinsurance resource centre and business development support organisation such as RIMANSI can be an effective and efficient facilitator in the development of a supportive policy and regulatory environment for microinsurance mutual associations and insurance cooperatives.

Parallel session 7

Improving efficiency and enhancing benefits
Information technology I

A major challenge for microinsurers is automating manual functions and processes to improve the speed and delivery of service, and more efficiently collect, use and disseminate information.

An information technology (IT) system, for improving efficiency and enhancing benefits in microinsurance, should ensure

- collection of clean data to manage and measure;
- a simple, user-friendly programme for training and implementation;
- control of fraud and abuse;
- cost-effective operation.

Microcare, Uganda, whose mission is to provide affordable access to quality healthcare for corporate employees and low-income informal sector groups, has developed a networked check-in desk where claims can be entered and processed from the point of treatment. It enables fast, accurate settlement of claims without labour-intensive paper forms, and prevents common abuses.

Integrating smart card and biometric technologies, advanced database networking and on-line processing, the system guarantees that “the right person gets the right treatment at the right place for the right cost”.

When introducing the medical ID cards, Microcare decided to put pictures of the customers’ children on the back, which proved to be a popular promotion.

Real-time processing helps control fraud. Lack of controls can add 30–40% to claims costs. Poor people value money more, and tend to abuse any open system for even a small financial gain.

Use of the right database software is critical. An appropriate structural design will help extract reports and transfer data efficiently. It can yield up-to-date data that enable an insurer to introduce a preventive programme immediately.

In India, ICICI Lombard’s agents issue some 10,000 policies daily on its point-of-sale (POS) system. An agent can create a customer profile on this system and, once a day, sync the data to the company’s records. Premium is collected on the spot in a one-on-one sale. And the status of a claim can be checked on line.

ICICI Lombard has used smart-card-based technology to overcome three main hurdles to providing micro-insurance:

- gathering details of customer profile at the time of inception;
- collecting small premiums in instalments;
- dealing with gaps at the time of claim settlement.

A point to note is that technology needs to be supported by a lot of back-office effort and customer contact.

Zurich, Bolivia, uses technology to achieve its business objectives as a wholesaler of insurance to external partners: MFIs, banks, credit unions and cooperatives.

Before automation, agreements and related information were sent by external partners to the company and handled manually by its back office. There were delays in the delivery of certificates and policies, and problems with activations, renewals and collection.

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Pranav Prashad,
ICICI Lombard
General Insurance,
India.

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Left to right:
Craig Churchill, ILO,
Switzerland; Francis
Sommerwell, Micro-
care, Uganda; Hugo
de Grandchant,
Zurich, Bolivia.



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Parallel session 7

Information technology I

The IT system created a front end for sales, with direct printing of certificates on the partner side, a migration interface for renewals and collection, and the mass generation of policies.

Zurich is now enhancing the system further for adaptability to different kinds of product, internet access for partners, and real-time MIS.

Lessons learnt

- In the transition to any IT system, microinsurers should start with a needs analysis and a basic cover.
- The best time to introduce controls is at the very beginning.
- Technology needs back-office support and customer contact.

Figure 6
The hurdles in micro business

Source: Prashad, Pranav. Presentation 'Improving efficiencies and enhancing benefits'. Microinsurance Conference 2007.

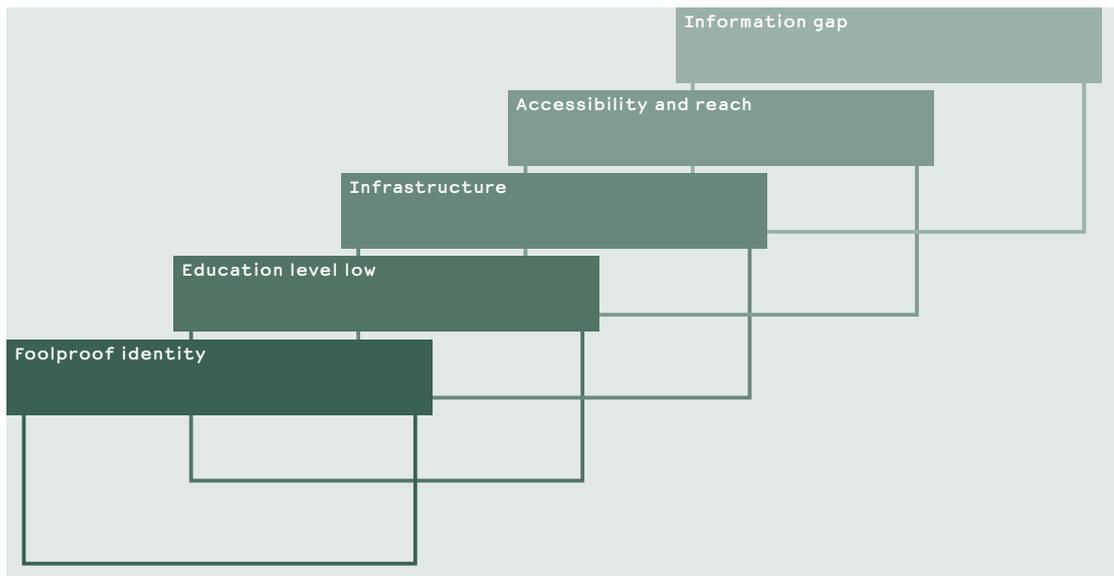
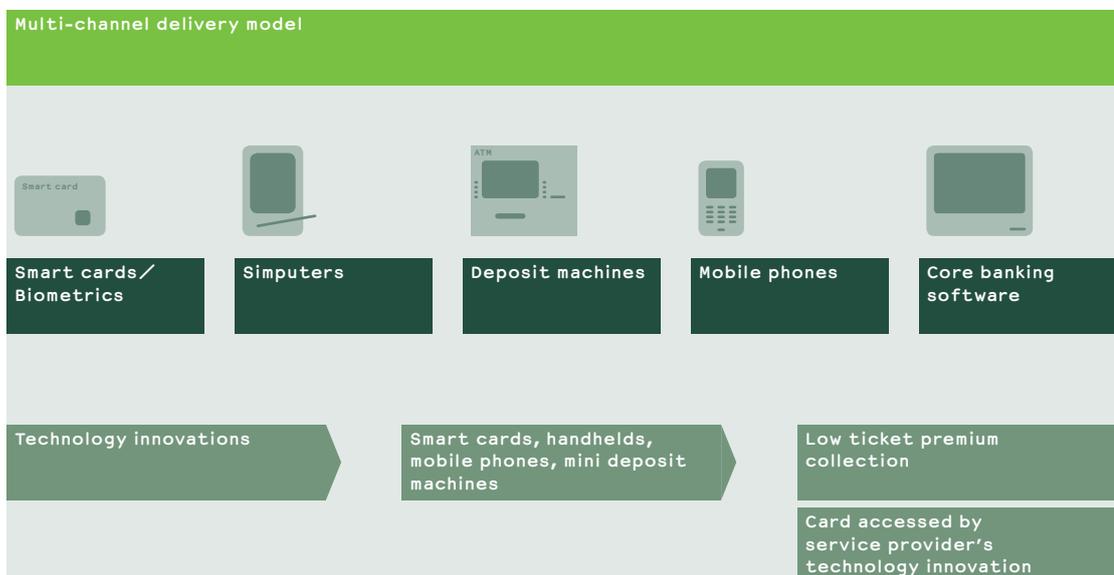


Figure 7
Technology-driven distribution

Source: Prashad, Pranav. Presentation 'Improving efficiencies and enhancing benefits'. Microinsurance Conference 2007.



Parallel session 8

Improving efficiency and enhancing benefits Consumer education I

A variety of microinsurance products have been made available to low-income groups. Whilst it is widely accepted that microinsurance can help the poor to reduce their vulnerability and avoid reverting to greater poverty after a shock, it is less evident whether clients are satisfied with the products and services offered. Whether the microinsurance industry provides good coverage at affordable rates still needs to be questioned. Microfinance Opportunities conducted a study aimed at understanding clients' satisfaction with microinsurance products in Uganda and Zambia.

In Uganda, the study covered two health insurance schemes provided by SHU and Microcare. The findings showed that policyholders were generally satisfied with the coverage and perceived health insurance as a necessity of life. Membership cards are essential for access to medical treatment and seen as a status symbol by clients. However, improvements are required in the management of membership cards, such as issuing. In addition, clients are less satisfied with the cover for critical illnesses, that are often excluded.

In Zambia, the study covered two funeral insurance schemes provided by CETZAM and PRIDE. The findings showed that clients were generally little satisfied with funeral insurance. Most people wanted coverage for illness rather than death. The low satisfaction with funeral insurance schemes is due to poor product orientation. Mandatory provision of insurance schemes, for example, leads to limited incentives for credit officers to explain the product in detail.

Low-income households are concerned about the costs and benefits of insurance because it competes with other financial needs. They are also concerned about paying for products they do not understand.

The conclusion from the two studies is that customer satisfaction and product orientation could be improved through better client education. In this context it makes sense to differentiate between product knowledge and understanding of insurance:

Product knowledge: How well informed the policyholders are about the details of the specific product they have purchased – including price, coverage, exclusions, benefits and processes.

Understanding of insurance: How well policyholders comprehend the concept of insurance in general and the idea of risk pooling in particular.

Whereas low-earners can generally deal with some, if not all, details of specific insurance products, they may not readily understand the concept of insurance, this being correlated with the education level of the client. And knowledge of insurance concepts is fundamental for a better understanding of insurance products. Therefore, educating clients on insurance and proper product orientation can enhance appreciation of microinsurance products.

Lessons learnt

See parallel session 13, page 48.

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Left to right:
Lemmy Manje, ILO,
Zambia; Elizabeth
McGuinness, Micro-
finance Opportun-
ities, USA.



Parallel session 9

Innovative microinsurance products Potential of microinsurance to address disaster risk

ProVention was launched by the World Bank in 2000, and is currently hosted by the International Federation of Red Cross and Red Crescent Societies in Geneva, Switzerland. It is an informal partnership on disaster risk reduction made up of UN agencies, international finance institutions, academic institutions, the civil society, the Red Cross and Red Crescent and the private sector. It focuses on five thematic areas: risk identification, mainstreaming into development, reducing risks in recovery, risk transfer, research and learning.

ProVention has conducted a review of microinsurance case studies to examine the benefits and limitations of microinsurance for disaster risk reduction. Results show clear evidence of the value and potential of microinsurance in transferring risk and protecting low-income households and businesses against disaster losses – including

- providing access to post-disaster liquidity, protecting assets and livelihoods as well as providing funds for reconstruction;
- promoting investments in productive assets, for example higher-risk/higher-yield crops, as creditworthiness increases;
- encouraging investment in disaster prevention, if insurers offer lower premiums to reward risk-reducing behaviour.

The study also highlighted issues where more information is needed, for example about the long-term viability of such programmes, particularly in the face of large covariant losses.

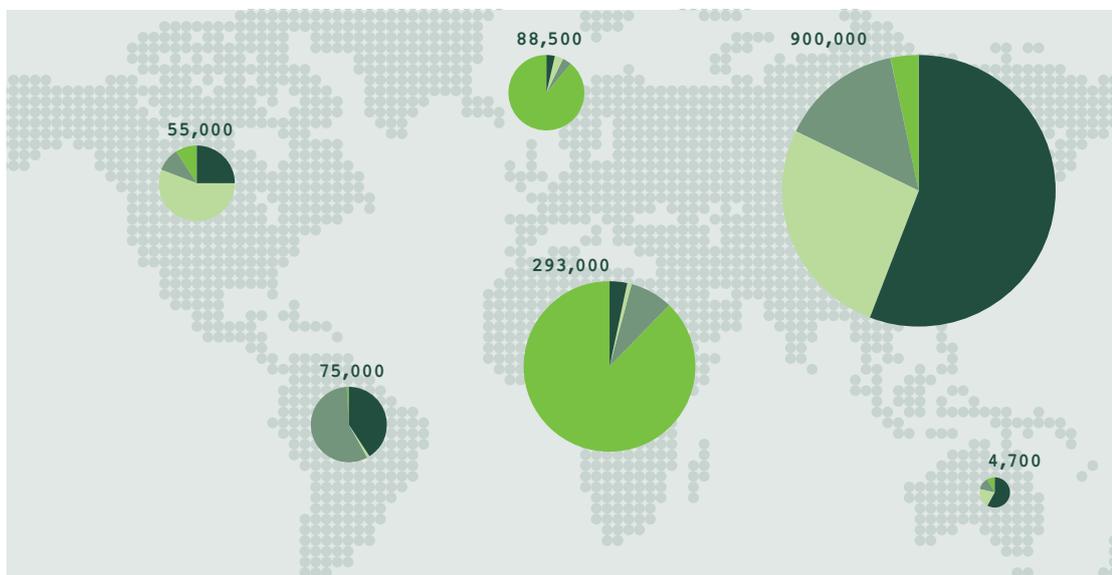
In consequence, ProVention is currently working with the International Institute for Applied Systems Analysis (IIASA) and All India Disaster Mitigation Institute (AIDMI) to undertake an in-depth multi-partner evaluation of existing microinsurance schemes for disaster risk. This evaluation will be done in collaboration with eight partner organisations currently involved in managing microinsurance schemes and will include client surveys as well as surveys of the partner organisations, their private sector insurance partners, and state regulators.

Financial losses due to disasters have significantly less coverage in Asia (4.88%) than in the USA (50.69%) and Europe (30.46%). Within Asia, 24% of deaths due to disasters occur in India, because of its size, population and vulnerability.

The Regional Risk Transfer Institute (RRTI), set up in India in 2004 in partnership with ProVention Consortium, promotes and implements disaster microinsurance for the poor. It runs three different schemes – in Gujarat, Tamil Nadu, and Jammu and Kashmir: Afat Vimo (disaster insurance) for poor communities in general, school insurance for students and staff, and weather insurance for small and marginal farmers. A total of 23,000 persons are covered for 19 types of disaster (among them fire, riot, cyclone, tornado, flood, landslide, earthquake and lightning).

Figure 8
Natural disasters
1980–2007 (number
of fatalities)

Source:
NatCat SERVICE,
Munich Re 2008



- Earthquake, volcanic activity
- Tropical cyclone, other storm
- Flood, mass movement
- Extreme temperatures

Parallel session 9

Potential of microinsurance to address disaster risk

Yasiru, Sri Lanka

Number of insured
87,098

Benefit

Life, accident, healthcare, hospitalisation, outpatient care, partial and full disability, natural death, and credit life

Premium range

US\$ 0.09–1.40 p.a.

The annual premium is “about three days’ wages for the client,” whose annual income may be LKR 12,000–18,000. Since January 2005, some 250 community leaders have been trained to help people in small towns and villages reduce their risk of losses.

In Sri Lanka, Yasiru Mutual Provident Society provides microinsurance to help the rural poor reduce and manage disaster risks. Day-to-day claims for individual losses from a disaster are paid from regular collections every year. Surplus is built up from positive results annually, with 90% going to a risk fund and 10% to a welfare fund.

In the event of a disaster such as a tsunami, Yasiru has a reinsurance agreement with Eureko Re of the Netherlands. Yasiru was registered as a special society in Sri Lanka in 2000. Initially linked to a network of community-based organisations in seven districts, Yasiru has now entered into a partnership with several other NGOs.

Yasiru’s collaboration with the Rabobank Group of the Netherlands has included financial support through the Rabobank Foundation, the provision of technical know-how and the necessary hardware, software and training.

Box 6**Yasiru product cover: Individual disaster (life, accident, disability, hospitalisation)**

For the whole family benefiting

- members
- children (< 18 years) of members
- spouses of members
- dependents (> 18 years) of members

Yasiru provisions:**Group disaster policy**

- Reinsurance agreement with Eureko Re, the Netherlands
- In the event of death and permanent disability: 80% quota share with maximum LKR 120,000 per risk and annual limit of LKR 14,800,000
- Yasiru risk funds (bank deposits): LKR 6,408,212

Source:
Silva, Sunil.
Presentation
‘Microinsurance product to reduce rural risk: Disaster risk management by poor’. Microinsurance Conference 2007.

Lessons learnt

- Level of private sector interest in disaster microinsurance is still relatively low.
- Existing programmes have high premiums and low volume.
- Mitigation matters. Risks must be reduced, not merely covered. Develop incentives for risk reduction.
- Relief as risk reduction investment is possible. But it needs models and experimentation.
- Small businesses have little access to financial risk-sharing mechanisms such as insurance.
- Difficult to set up and scale up pilot projects, and undertake advocacy with government and international institutions.
- Only few examples of greater risk pooling over a large geographic area exist.

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Left to right:
M. G. S. Sunil
Silva, Yasiru Mutual
Provident Society,
Sri Lanka; Koko
Warner, UNU-EHS,
Germany.



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Left to right:
Mehul Pandya,
Regional Risk
Transfer Initiative,
India; Ian
O’Donnell, Pro-
vention Consor-
tium Secretariat,
Switzerland.



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Parallel session 10

Group versus individual insurance
Analysing the options**Aga Khan Development Network,
Pakistan**

Number of insured
130,000

Benefit
Credit life, health, savings life

Premium range
US\$ 1–5 per person p.a.

Pakistan is the first country where the Aga Khan Agency for Microfinance is operating microinsurance. The market segment comprises seven million families that are estimated to spend about US\$ 15 per annum on insurance expenses. Before entering the market the Agency conducted a detailed market survey. One fundamental interest was which business distribution models would best apply to customers' needs and market conditions: individual enrolment or group plans?

Results clearly showed that group policies are much more cost-effective than individual policies and therefore offer much greater value to customers. Given an annual premium of US\$ 15, distribution costs amount to US\$ 10 if policies are sold individually. Taking processing costs into account only about US\$ 3 are then available for claims costs, meaning customers get hardly any value for their money. In contrast, if policies are sold to groups, distribution costs only amount to US\$ 4 and US\$ 9 are then available for claims – which is three times the value individual plans offer.

The favourable economics of group over individual insurance schemes are especially accentuated for health insurance products from an actuarial point of view also. The agency believes that mandatory group products, by minimising anti-selection, should provide the best value for money; however, given that the product is mandatory, the insurance provider must be sure that the product clearly targets the insured members' needs.

Through the spread of risks over larger numbers of clients, the amount of per capita premium needed per annum for claims decreases substantially. Estimates show that, with mandatory group insurance, the per capita premium per annum for a given level of coverage is only one fourth of the premium required when only 20% of the target group is insured.

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Left to right:
John Pott, AKDN,
Switzerland;
Catherine Tremblay,
Développement
International
Desjardins, Canada.

50

Ellis Wohlner,
Consultant to Sida,
Sweden.



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Parallel session 10
Analysing the options

Studies conducted in Canada and West Africa by Développement International Desjardins showed that group insurance is more cost-effective than individual insurance. In Canada, the main driver for that difference in costs is the expense of IT and support systems, financial administration, and agents' commissions. In West Africa, manually run operations bear the high cost of manual data input and data control when providing individual coverage.

Regardless of the business model used, sophisticated software to determine reserves was found particularly expensive and not appropriate for microinsurance enterprises. To make a step forward, this software must be adapted to the local context. Additionally researchers detected that there is a strong need to educate regulators with respect to the determination of actuarial reserves for group as well as individual microinsurance schemes.

A further challenge yet to be addressed is the grouping not only of persons but also of hazards, as people are concerned about various risks, the death of a breadwinner or another family member, hospitalisation expenses and asset loss being the predominant ones. Composite products that seem conceivable are group health products to which some life or funeral insurance can be tacked on at no additional distribution and premium collection cost. The ultimate goal would be the integration of all major insurable risks under one policy.

Lessons learnt

- Group insurance is superior to individual insurance for value provided.
- To make individual plans more valuable to customers, technology advancement is needed.
- IT systems and software must be adapted to the local context.
- Regulators need to be educated on the determination of actuarial reserves for microinsurance.
- The ultimate goal would be the integration of major insurable risks under one policy.

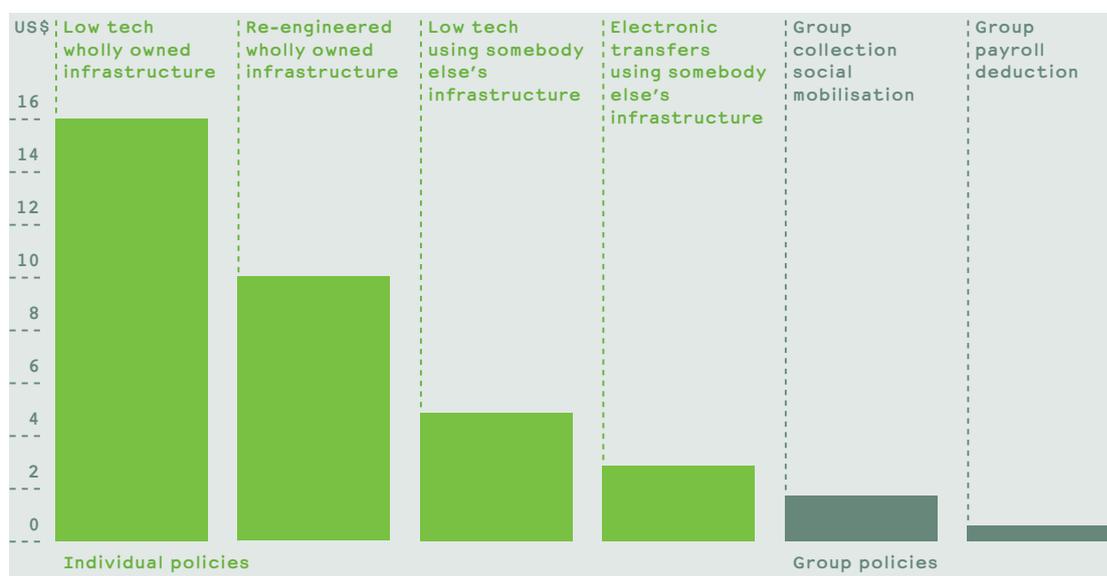


Figure 9
Annual distribution costs per policy holder – Individual versus group

Source:
Pott, John. Presentation 'The micro-economics of microinsurance – The example of Pakistan'. Microinsurance Conference 2007.

Plenary 3

Group versus individual insurance

Microinsurance serves a segment of the insurance market where knowledge and understanding of insurance are low, where the capacity to pay premiums is limited and where customers have a particular need of protection from overpriced and ill-designed products that provide little value. These factors have to be taken into account when designing microinsurance products. A fundamental question is how the needs of the target group can best be served – by group or individual plans.

Group insurance

Today, group insurance plans, in contrast to individual insurance plans, are seen as the most appropriate methodology to overcome these difficulties.

“Individual” insurance is in a sense contradictory. Insurance is a collective enterprise based on the so-called “law of large numbers”. It is the pooling of large numbers of lives, objects or eventualities and the spread of risks that make insurance feasible. Reaching a broad coverage quickly is one of the big challenges insurers face to maintain sustainable products. The experiences of established microinsurance schemes clearly show that large pools can be reached more easily and faster by group insurance.

Furthermore, premiums per capita of group plans are on average substantially lower than those of individual insurance for similar coverage. An individual plan in Bangladesh realises an expense ratio of 41% for its individual endowment policy. By contrast, a group plan in India uses only 5.5% of the premium of its creditor life insurance for expense coverage. Clearly such products provide much more value for money. The following factors play a major role in the cost efficiency of group plans:

- Lower policy administration cost
- Lower marketing cost
- Lower underwriting expense
- More comprehensive coverage
- Easier premium collection methods
- Easier claims payment mechanisms

Group insurance plans also facilitate consumer influence and providing information to the insureds. Moreover, very importantly from a social policy standpoint, they include risks that would often be rejected by an insurer on an individual basis, thereby improving access to suitable insurance.

Group insurance is generally only available to groups formed for purposes other than insurance protection. Examples are cooperatives, trade unions, self-help groups, professional societies, religious congregations and sports clubs. In those groups the problem of adverse selection is minimised. By contrast, groups that are formed solely for the purpose of obtaining insurance coverage are very likely to attract a high proportion of bad risks, which would lead to high average per capita premiums that exceeded the paying capacity of many persons.

Furthermore, existing groups usually have membership records or even membership accounts that greatly facilitate the provision of insurance to their members. As groups can make use of their bargaining power, insurance products may match the needs of group members more appropriately and therefore create greater value than individual plans.

The three main types of group insurance are:

- Compulsory for everyone in a group with a single payer
- Automatic affiliation that allows group members to decline
- Completely voluntary participation

Compulsory group insurance is superior with regard to the size of the risk pools and costs. It provides the maximum spread of risks and is the least expensive. However compulsory schemes may provide people with products that do not fully match their needs.

Automatic affiliation plans allow group members that do not want coverage to decline it. Such group life or health plans are especially at risk when groups get older and expected claims for health, life or disability increase. Younger people may then find it cheaper to insure themselves individually, and therefore leave the scheme. Here the idea of solidarity is under threat.

Plenary 3

Group versus individual insurance

Completely voluntary schemes have the lowest participation rate, are exposed to adverse selection and incur the highest costs. While people have the choice as to whether they want to pay for coverage and which products they prefer, these schemes are less inclusive and may leave some people who want to obtain coverage uncovered because of failure to sign up.

Group insurance plays a key role in developing a sustainable micro-insurance market. Its one main limitation lies in its not being individually tailored; however, most individual insurance plans are not individually tailored, and the tiny premiums affordable by most of the poor will not usually suffice for individual insurance.

Individual insurance

Individual insurance is designed to meet the real need of the insured, is accessible for people who do not belong to any group and is priced to the correct risk class. However, high administration costs, reflected in higher premiums, may inhibit the targeting of the specific low-income market segment.

In most cases, cost savings due to individual risk pricing are not sufficiently large to compensate for administrative costs, and higher risk persons may be denied coverage or pay higher premiums.

Even individual plans are not a guarantee that the needs of customers will be served appropriately, or that coverage is really tailored to the individual needs, as insurers sometimes use aggressive selling methods to convince customers of their products, and may resort to cherry picking, creaming and lemon dropping. It is, however, also important to bear in mind that many among the poor do not have any group affiliation at all.

In the initial phase of the development of a microinsurance market, group methodologies are in most cases superior in providing value to the targeted population. But with technology advancement, the lines between group and individual may start converging and the importance of individual insurance may rise. VimoSEWA, a microinsurer in India, for example, enrolls many on an individual basis but uses group methods.

It is important to keep in mind that group insurance has several facets: products marketed to a group, products where payments are collected by the group, groups where claims are processed by the group administrator, etc., or all combined.

Increasingly there is a need to hone group products to individual needs, and group insurance donors need to support product innovation and experimentation and promote more sharing of actuarial data in order to achieve this.

Lessons learnt

- Group insurance plans reach larger pools faster and are more cost-effective. Mandatory group insurance plans are most successful.
- Group as well as individual insurance needs to be well designed and reasonably priced to provide real value.
- A dialogue comparing the group with the individual approach is useful in highlighting the cost-effectiveness and other aspects of the two approaches.
- There are significant instances in the microinsurance target market where effectively operating groups just cannot be found. There are also cases where a blend of the two approaches is required. And yet others where it is important to let individuals within a group exercise a degree of choice concerning the features of the group product they opt for.
- Products offered should meet the criteria of the key performance indicators.
- Individual insurance comes into play as technology advances. Technology is helping reduce distribution costs but not marketing costs and commissions.

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Left to right:
Denis Garand,
Consultant,
Canada; John
Pott, AKDN,
Switzerland;
Ellis Wohlner;
Consultant to
Sida, Sweden.



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Agenda

Day 3 afternoon sessions 15 November 2007

Parallel sessions	Speakers	Facilitators
Parallel session 11 Regulation, supervision and policy Challenges for regulators and supervisors	<u>Arup Chatterjee</u> IAIS, Switzerland <u>Martina Wiedmaier-Pfister</u> GTZ, Germany	<u>Brigitte Klein</u> GTZ, Germany
Parallel session 12 Improving efficiency and enhancing benefits Information technology II	<u>Vishwanath Divya</u> SKS Microfinance, India <u>Karpagam Sankaranarayanan</u> Gradatim, India <u>Vijay Athreye</u> Tata AIG Life Insurance Company Ltd, India	<u>John Pott</u> AKDN, Switzerland
Parallel session 13 Improving efficiency and enhancing benefits Consumer education II	<u>Ayandev Saha</u> National Insurance Academy SoM/ICICI Prudential Life Insurance Co, India <u>Gayathri Sakthirajan</u> Tata-DHAN Academy, India	<u>Lemmy Manje</u> ILO, Zambia
Parallel session 14 Innovative microinsurance products Property insurance and disaster	<u>Andreas Moser</u> Munich Re, Germany <u>Ramesh Kumar Maturi</u> South Indian Fed. of Fisherman, India <u>Gabriele Ramm</u> Consultant to GTZ, Germany	<u>Dirk Reinhard</u> Munich Re Foundation, Germany
Parallel session 15 Innovative microinsurance products How can remittances enhance access to insurance?	<u>Michael Anthony</u> Allianz, Germany <u>Günther Müssiq</u> IOM, Guatemala <u>Hugo de Grandchant</u> Zurich, Bolivia	<u>Arun Kashyap</u> UNDP, USA
Plenary 4 Innovative microinsurance products From macro to micro: Insurance solutions for small scale farming – Current practice and lessons learnt from Asia and Latin America	<u>Jim Roth</u> MicroInsurance Centre, USA <u>Jerry Skees</u> GlobalAgRisk, USA <u>Mark D. Wenner</u> Inter-American Development Bank, USA	<u>Thomas Loster</u> Munich Re Foundation, Germany
Closing of the conference	<u>Craig Churchill</u> ILO, Switzerland <u>Dirk Reinhard</u> Munich Re Foundation, Germany	

Parallel session 11

Regulation, supervision and policy
Challenges for regulators and supervisors

Regulation, supervision and policy issues of microinsurance in emerging markets involve a number of concerns, of which four were the focus of this session: policy environment and role of government; whether the approach should be rule-based or principle-based; mainstreaming which facilitates inclusion of the under-served and un-served, and the integration of informal players; operational concerns.

Policy environment and role of government

The policy environment plays an important role in microinsurance development and may hinder or facilitate the growth of microinsurance. Both India and South Africa exemplify a clear government mandate to supervisors encouraging the development of inclusive financial systems that work for both the upper and lower income segment. In Colombia, clear signals by the government ("Banca de las Oportunidades" i.e., broad-based access to microfinance) were a major contributor to the industry's engaging in microinsurance.

Governments can facilitate consensus by moderating the different interests of companies and foster dialogue between them and the regulatory authorities. Where government awareness is low a bottom-up approach may facilitate development of the necessary regulations, if companies themselves become active and put pressure on regulatory authorities.

Targets, quotas and reductions of financial taxes are other ways of facilitating microinsurance provision, if implemented in a coherent manner. However, the implications of a mandatory approach in terms of service quality still need to be evaluated further.

Governments should avoid subsidising and implementing insurance schemes that distort market-led initiatives for insurance provision. Any government subsidies should target only the poorest income groups to avoid upsetting the market.

Rule-based versus principle-based approach to regulation and supervision

The microinsurance market is highly innovative and dynamic, as new business models are needed to reach the poor profitably. The regulatory environment and supervision need to be responsive to the particular requirements of the market.

A more traditional, rule-based approach provides detailed rules and regulations to try to regulate all aspects, while a new, more principle-based approach involves more flexibility and responsibility for industry, regulator and customers. The first relies less on the supervisors' capacity than the latter, which demands high capacity and involvement on their part. The rule-based approach may be easier to take and may better enable the market to work in less developed countries.

However, consumer protection is the core value and the line between flexibility of rules and uncertainty is a fine one. Finding the right balance – between clear rules which protect consumers and ensure sound organisations, and regulatory freedom to allow for innovation and expansion – poses a huge challenge to the regulator and is exceedingly difficult if regulatory capacity cannot keep pace with microinsurance development. In fact, most developing countries might go for the traditional rule-based approach in the initial phase and then adopt a principle-based approach over time.

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Brigitte Klein,
GTZ, Germany.

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Left to right:
Martina Wiedmaier-
Pfister, GTZ,
Germany; Arup
Chatterjee, IAIS,
Switzerland.

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Participants
in the parallel
session 11 working
on the challenges
for regulators
and supervisors.



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Parallel session 11

Challenges for regulators and supervisors

Mainstreaming microinsurance

Mainstreaming can be defined in different ways: integrating the un-served and under-served into the formal insurance system, and integration of insurance services for the low-income segment into the formal insurance sector. In microfinance, the concept of mainstreaming is related to integrating informal players.

There are several strategic options to make the insurance system more inclusive and reach the under-served and un-served: integrating (small) informal players through licensing, motivating (large) insurance companies through quotas or targets, or building institutions from scratch if the market's characteristics and its low-income segment call for them.

When revising regulations to promote microinsurance, regulators should look at requirements for delivery channels, and may look at capital requirements. There is still a need to better understand when insurance regulators should intervene, for example when mutual insurers should be licensed. Moreover, as a conducive policy including clear rules matters, building regulatory capacity is an inevitable precondition to making the microinsurance market work effectively.

Operational concerns in the regulation of microinsurance

Specifically, such concerns may include the kind faced by the supervisor in Uganda, where some insurers are providing life-insurance products – which tend to have a higher-risk profile – under a non-life licence.

Generally, to evaluate the success and shortcomings of microinsurance initiatives, data collection and statistics are essential. In the absence of data there are no performance parameters, and there is a need to establish common standards for collecting, collating and analysing data so that experience can be shared. Simple products and simple procedures may facilitate evaluation processes.

Commission caps are another widely debated issue. To keep products affordable, premiums need to be low. High commission rates might encourage microinsurance enterprises to grow and to invest in the education of their agents in the initial phase. Later, commissions may decrease with economies of scale. Doing away with commission caps may also promote competition and enable the sector to achieve a critical mass, while helping arrive at commission levels which are realistic to sustain the business.

Creating awareness through intensive insurance education programmes, transparent claims settlement and intensive stakeholder dialogues are important ways of popularising microinsurance.

Lessons learnt

- Policy matters. It is important that policymakers provide a clear mandate to the insurance regulator or supervisor to develop an enabling regulatory framework for the microinsurance sector.
- The insurance supervisor's mandate should not only focus on stability but also have a visible impact on market inclusion.
- Regulation is a key policy tool and plays an important role in the development of a viable micro-insurance market.
- The principle-based approach to regulation requires substantial capacity-building for supervisors.
- The creation of a new tier depends on the country situation. If there is a large number of informal players, such as in South Africa, there is hardly any alternative to such options in order to avoid damage, regardless of the capacity of the supervisor.
- Greenfielding (building new micro-insurers from scratch) can be an option for countries with a very weak insurance industry.

Parallel session 12

Improving efficiency and enhancing benefits
Information technology II

The microinsurance sector needs to be commercially viable to be sustainable. In contrast to traditional insurance, it faces specific challenges such as low premium amounts, high administration costs and high risk of moral hazard.

The sector's delivery mechanisms and cost structures need to be innovative and further streamlined.

Appropriate technology systems can support efficient cost management and reduce fraud.

Since the 1950s, IT has been supporting business management and running through different phases of development. The microinsurance industry is in the unique position of having to cross all the development phases at one go. IT can support microinsurance providers in different ways:

Product efficiency, such as by applying product configurators or business analytics.

Process efficiency, for example by implementing transaction-processing systems or document-management systems.

Place (distribution) efficiency, for instance by using mobile devices.

Business effectiveness, for example by applying management information systems.

IT can be applied to all business dimensions, such as sales, product development, operational management, and governance. For microinsurance, Gradatim IT Ventures sees three IT trends to watch:

- Mobile phones as business devices
- Web 2.0
- SaaS/Hosted model

In India, microinsurance providers already make use of technology. SKS experienced that premium collection, administration and claims management are very work-intensive. By applying computer software, it has been possible to analyse cost structures and processes. The software-supported analysis showed that costs can be reduced by about 40%.

Tata AIG in India gained experience with innovative cash collection systems. Premiums used to be collected from policyholders on the basis of renewal sheets. The payment was marked in the policyholder's passbook and the premium forwarded from the microinsurance agent to Tata AIG. This form of premium collection is cost-intensive and highly dependent on the credibility of the microinsurance agent as well as the microinsurance provider.

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Left to right:
John Pott, AKDN,
Switzerland; Vijay
Athreye, Tata AIG
Life Insurance,
India; Karpagam
Sankaranarayanan,
Gradatim, India.

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Vishwanath Divya,
SKS Microfinance,
India.



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Parallel session 12

Information technology II

A new premium collection system, called the Cash Receipting System (CRS), is currently being tested.

A hand-held device enables microinsurance agents to issue receipts in the field. By using a GPS system, relevant data can be downloaded and transactions uploaded. The new system is operating successfully and has a range of advantages over the old system:

- Customers obtain receipts for premium payments.
- Microinsurance agents are more credible.
- Moral hazard problems can be better controlled.
- Point-of-sale activities become more effective.
- MIS can be updated real-time.

IT can add value to the microinsurance industry, giving providers access to a whole range of technologies – from the cost-control approaches developed in the 1950s to the latest in mobile banking.

Lessons learnt

Principles for using technology:

- Simple but not simplistic
- Designed for the future, built for the present
- Selecting appropriate technology
- Reusing as much as possible
- Adopting a component-based business model
- Integrating
- Innovating

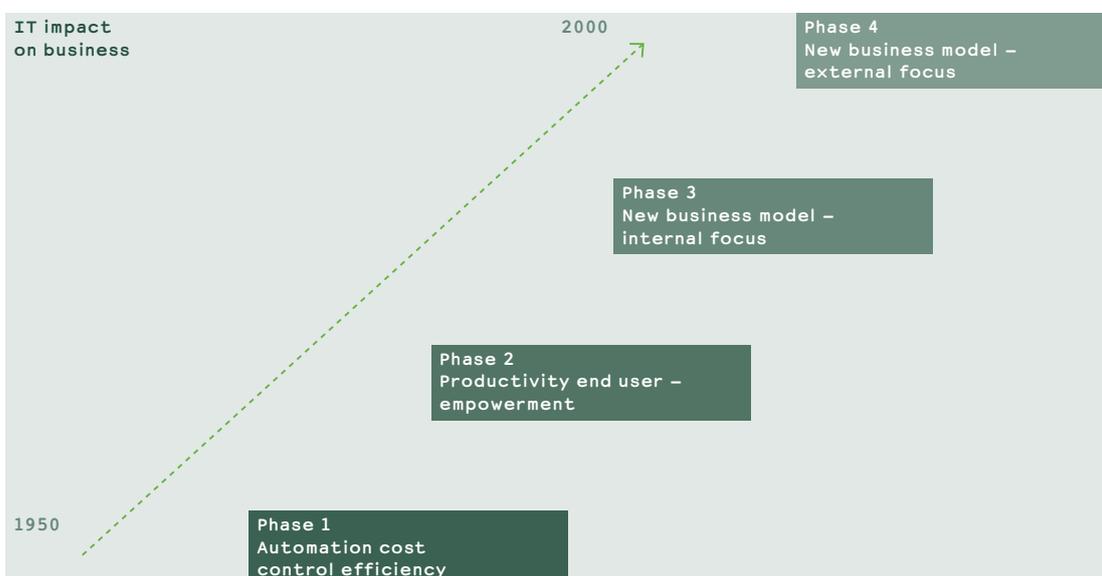


Figure 10
Business value of IT

The microinsurance industry is in the unique position of having to cross all four stages at one go.

Source: Sankaranarayanan, Karpagam. Presentation 'Technology and microinsurance'. Microinsurance Conference 2007.

Parallel session 13

Improving efficiency and enhancing benefits
Consumer education II

Worldwide, the poor are urbanising faster than the population as a whole. Over 1993–2002, 50 million people were added to the urban poor, while the number of rural poor declined by 150 million.

In India, the number of urban poor, whose poverty is declining at a slower rate than that of the rural poor, is expected to triple by 2030 – reaching 40% of the total population, with a third living in slums.

- Mostly, people are insured where there is an MFI or NGO.
- Some are not interested in any insurance plan.
- Involvement of a local distribution channel leads to more premium collection.

More consumer-centric products and processes are needed.

Experiences of others and negative word of mouth have an impact.

- Awareness and affordability lead to higher insurance penetration.
- Trust is the cornerstone of relationships, and money-lenders may already have built such a relationship with poor customers.
- Poor consumers expect information in the vernacular language – less of a sales push and more of an understanding of their needs.
- The seven Cs of communication work anywhere and everywhere: complete, correct, candid, clear, concise, concrete, courteous.

The DHAN Foundation, in its insurance literacy programmes, strives to educate its member mutual managers and asks them to take the information to their individual members. The point stressed is that savings are for planned events and insurance for uncertainties.

Some 50% of members are illiterate, and so charts of drawings, street plays, mobile theatres and film shows are used to inform and educate.

A study of funeral insurance schemes involving CETZAM and PRIDE in Zambia found that low-income households were concerned about the costs and benefits of insurance – because it competes with other financial needs – as well as about paying for products they do not understand.

Client education and proper product orientation enhance appreciation of insurance. Accordingly, providers must invest in explaining products prior to access or distribution, even when they are mandatory.

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Left to right:
Lemmy Manje, ILO,
Zambia; Gayathri
Akthirajan, Tata-
DHAN Academy,
India; Ayandev
Saha, National
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ment/ICICI
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Insurance, India.



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Gayathri Akthirajan,
Tata-DHAN Academy,
India.



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Parallel session 13

Consumer education II

Box 7

Promotional mix

- Organising health camps: spreading awareness of common diseases and ailments. Such awareness and prevention campaign programmes should be conducted at local body meetings.
- Creates a brand image and, more importantly, brand association with customer.
- Participate in local festival by organising a *mela* or fair.
- Right place to spread a message – adapting to their culture and society.
- Wall painting or poster advertisements on school walls, at the railway station or bus stop.
- Involve local people – give them ownership (speak more of the need for insurance).
- Use of pamphlets, brochures and flyers (saying more about the product and less about the company).
- Use the local language to reach people's minds.
- Sponsor a local movie and show a marketing film in the interval.
- Spread the message: need for insurance (in a very cinematic way, with songs and humour).
- Roadshows: the right place to distribute the product brochure and pamphlet. Radio and TV will not create much impact as 40% of people are without either.
- Involve local people and local government authority.
- Arrange meetings or claim-award ceremonies at the offices of the municipality or local authority.
- Discuss cases relating to claims settlement and repudiation: create trust.
- Involve the local leader to spread the message, as people trust him or her more.
- Voice of the postmaster of the area: a person in whom people have more faith.

Lessons learnt

- Microinsurance provision is more complex than the provision of microcredit and savings products.
- Those on low incomes have a low level of understanding of insurance.
- Insurance products are not really appreciated.
- Enhance clients' understanding of the concept of insurance.
- Offer products that better meet consumer needs.

Parallel session 14

Innovative microinsurance products
Property insurance and disaster

Most microinsurance products and initiatives focus on life and health risks – while many microentrepreneurs are exposed to natural catastrophes and other perils such as fire, landslide and tsunamis, that destroy their property. After such events, those affected need several years to recover and attain the same financial level as before.

Currently, property products are seldom offered to microentrepreneurs, and often the products offered are not adapted to the special needs of the clientele. To meet this demand, Munich Re worked jointly with Suramericana, a Colombian insurance company, and Women’s World Banking affiliate Bucaramanga, a leading Colombian MFI, to develop a microinsurance property policy for microentrepreneurs in Colombia.

The joint venture, known as Microinsurance for Latin America (MILA), has shown how to structure and price property microinsurance products and how to deal with specific challenges when insuring the property of the low-income population in a developing country.

South Indian Federation of Fishermen Societies (SIFFS), India

Number of insured
29,000

Benefit
Life, assets, old age, fishing equipment

Premium range
US\$ 2.55– 15.27 p.a.

The South Indian Federation of Fishermen Societies (SIFFS) is implementing a fishing equipment insurance policy. SIFFS has been providing an old age security scheme (3,000 members) and over 26,000 members are presently insured under group life insurance schemes in association with LIC and United India. But traditional marine insurance policies do not reach artisan fishing communities, where individual members of SIFFS-affiliated societies have

- high risk and vulnerable livelihoods;
- seasonal and irregular incomes;
- potential credit and social security requirements;
- no collateral, as their assets are floating.

Box 8
Example MILA Colombia: Pricing – Ensuring economic sustainability

Economic sustainability

- Clientele and property are more vulnerable than in the case of traditional insurance.
- In relation to the sum insured, the premiums for microinsurance are higher than in traditional insurance.

Example:

Traditional fire insurance (Residential risk)

- Sum insured: US\$ 100,000/ deductible 2%
- Commercial rate: 3 per mille
- Annual premium: US\$ 300
- Monthly premium: US\$ 25

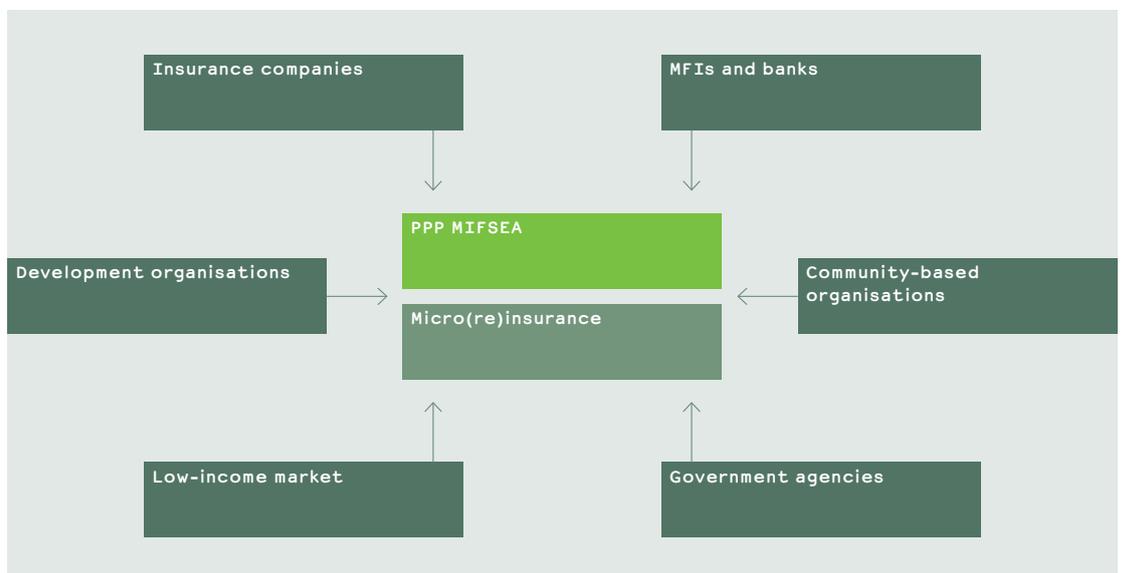
Property microinsurance

- Sum insured: US\$ 6,000/ deductible 2%
- Commercial rate: 6 per mille
- Annual premium: US\$ 36
- Monthly premium: US\$ 3 *

*The micro-entrepreneur is only interested in the premium in absolute terms!

Source: Munich Re, 2007

Figure 11
Selection of delivery channels – Role of different stakeholders
Source: Munich Re, 2007



Parallel session 14

Property insurance and disaster

The new policy's covers (see box 9) meet the needs of 6,000 small-scale fishermen, and are offered at a premium of 1% of total asset value (general rate of premium is 4%). SIFFS is pursuing a number of approaches to help members minimise the basic risks and threats associated with small-scale fishing.

However, SIFFS also needs to focus on a number of challenges and issues to facilitate the programme and ensure its sustainability:

- Members' concern about exclusions;
- The high premium, which is unaffordable;
- Service tax as an additional burden;
- Reinsurance cover.

Indonesia is prone to various types of geophysical hazard. Munich Re and GTZ entered into a public-private partnership agreement to jointly support microinsurance against catastrophic risks there.

The project, named Micro Insurance for South East Asia (MIFSEA), was designed to identify limitations in the existing ex-ante and ex-post disaster management strategies of low-income groups, and carry out a disaster microinsurance study in four regions of Indonesia.

The study's findings show, interestingly, that the impact on physical assets is perceived as being of comparatively low importance, whereas post-flood diseases, interruption of income combined with renovation expenses, increased prices, transportation costs, etc. place a heavy financial burden on low-income households. These findings may explain why demand for traditional property insurance products is relatively low, even if available and affordable for low-income households. It also indicates that the downscaling of existing insurance products is not an appropriate approach.

Considering these results, the study recommends developing a trigger-based microinsurance product against flood, with various delivery-channel options to ensure fast payout of the predefined lump sum if the set trigger (height of water level and duration of flood) is exceeded.

Box 9

Product features

- Losses of individuals and en masse.
- Total loss of boat or engine or both due to any act of God (AoG) perils/riot/fire at sea/on shore.
- Only en masse total loss of fishing nets and tackle on shore due to any AoG perils/riot/fire – up to 50% of the value subject to a maximum INR 20,000.
- No additional premium for coverage.
- Applicable within Kerala and Tamil Nadu states only.
- Exclusions:
 - Partial damage of boat or engine or both.
 - Individual losses/burglary/theft of fishing nets.

Source:

Maturi, Ramesh Kumar. Presentation 'Equipment insurance for fishermen'. Microinsurance Conference 2007.



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Left to right: Gabriele Ramm, Consultant to GTZ, Germany; Dirk Reinhard, Munich Re Foundation, Germany.



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Left to right: Andreas Moser, Munich Re, Germany; Ramesh Kumar Maturi, South Indian Federation of Fishermen Societies, India.

Lessons learnt

- For low-income households, downscaling mainstream property insurance is not suitable.
- A trigger-based product against flood would be appropriate.
- It should have options for various delivery channels, and ensure prompt payout of a predefined lump sum.

Parallel session 15

Innovative microinsurance products

How remittances can enhance access to insurance

International Organization for Migration (IOM), Guatemala

Number of insured
303

Benefit
Health

Premium range
US\$ 36–450 per family p.a.

Remittances, an emerging form of private capital transfer, are beginning to interest insurance providers. In 2006, according to the World Bank, they accounted for US\$ 206bn in transfers to the developing world. While much of this money goes towards improving livelihoods and increasing personal consumption, there are questions as to whether the remaining transfers can increase access to finance and social services for the poor.

Four product offerings represent attempts to market new insurance products to this emerging client group:

Unit-backed insurance products: Bajaj Allianz developed these policies for Indian migrants working in the Persian Gulf. They provide life insurance cover and are unit-linked. Purchasers are usually family members in India in consultation with their relative abroad.

Life insurance tied to money-transfer and banking services: Allianz Bolivia has introduced life insurance products connected to remittance and banking services. Partnering with Bancosol, a leading South American microfinance provider, Bolivians working abroad are offered a money transfer service, a savings account, and three different life insurance policies. This recently developed product has only just entered the marketing stage.

Dual life insurance: Seguros Azteca in Mexico offers a policy that provides life cover both to a worker abroad and a dependent in Mexico. In the event of the death of one of the policyholders, a payment is made either to ship the body back or to pay for the transport costs of the migrant to attend the funeral in Mexico. This also facilitates regulatory compliance, as the product is purchased in Mexico.

IOM Guatemala sells health insurance products for the dependent families of migrants working in the USA or Canada. As workers migrating to Canada leave with IOM's assistance, inclusion in the health insurance scheme is successful. By contrast, the situation with respect to workers in the USA is quite difficult, since they are not linked to the formal financial system due to their illegal status.

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Left to right:
Michael Anthony,
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Günther Müssig,
IOM, Guatemala;
Hugo de Grand-
chant, Zurich,
Bolivia; Arun
Kashyap, UNDP,
USA.



Parallel session 15

How remittances can enhance access to insurance

Insurance companies and other insurance providers hope to use the new funds to connect people with both life and health insurance. Although there may be some congruence between remittances and insurance, there are real challenges in selling products to migrant workers, including:

Regulatory: Determining whether insurance companies are able to sell policies and insure lives in other national jurisdictions.

Marketing: Identifying and providing products that appeal to migrants and their families both in the home countries and abroad.

Consumer understanding: Designing products that appeal to and are understood by the remitters (including linking them up with basic services such as banking and formal money-transfer systems).

Regulators, insurance companies and international organisations must collaborate to address the issues encountered in developing and marketing these new products. The product offering, delivery mechanism and type of supervision may be required to innovate in order to create a more viable market. Current barriers are a lack of satisfactory data and regulatory uncertainty.

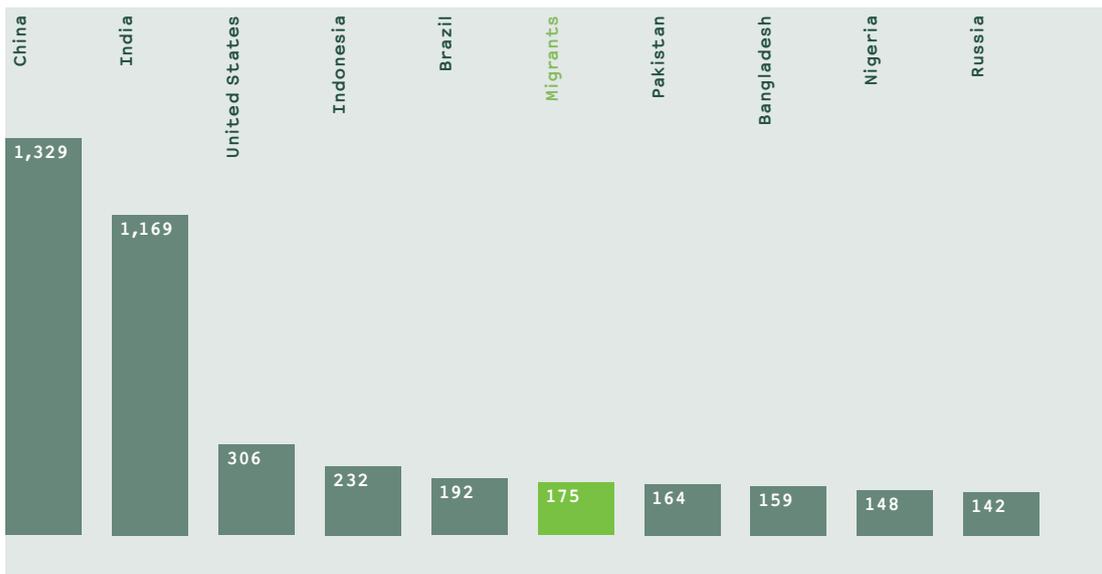


Figure 12
Population by country in 2007 (millions)

The international migrant population is larger than the sixth most populated country in the world.

Source: United Nations, World Population Prospects, The 2006 Revision. <http://www.un.org/esa/population/publications/wpp2006/wpp2006.htm>

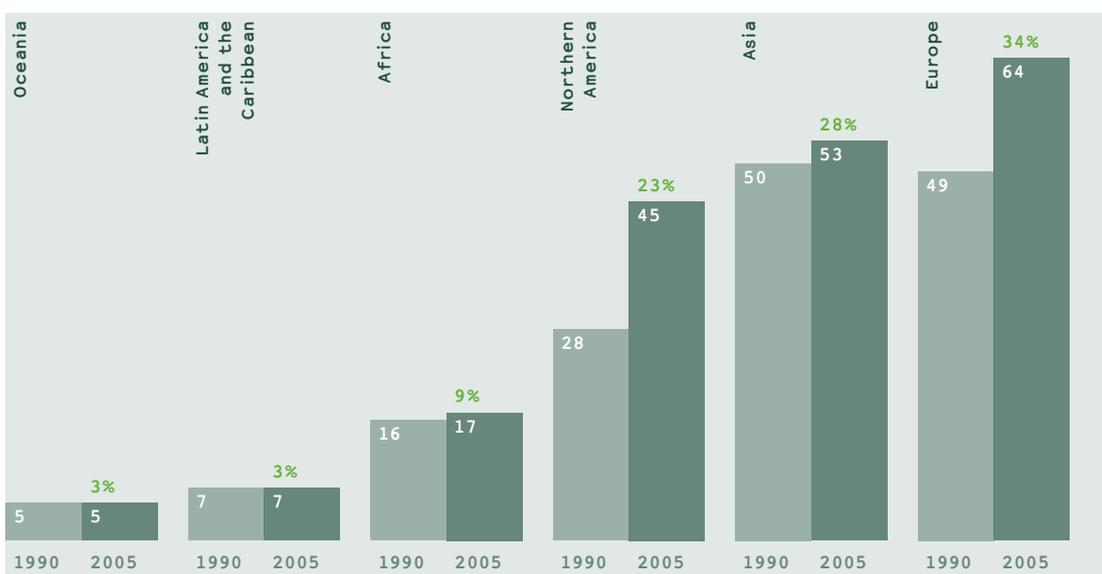


Figure 13
Estimated migrant participation according to region (millions/percentage)

Source: UN Population Division, World Migrant Stock: The 2005 Revision Population Database <http://esa.un.org/migration/>

Plenary 4

Innovative microinsurance products

From macro to micro: Insurance solutions for small-scale farming – Current practice and lessons learnt from Asia and Latin America

Worldwide, agricultural insurance markets are undeveloped and bi-modal: about 84% originate in North America and Western Europe. Further, those programmes which are fully profitable and not subsidised mainly cover the hail peril.

Although microinsurance schemes primarily offer life and health covers, only some 20 micro agro (crop and livestock) insurance schemes can be identified. This despite the fact that 75% of the poor live in rural areas and depend directly or indirectly on agriculture which, being highly dependent on weather and climate, is a very risky business.

Traditional risk-coping strategies in the agricultural sector include on-farm measures such as crop diversification, generating off-farm income or relying on savings. These strategies often prove to be inefficient and lead to reduced profitability.

Micro agro insurance could be an important tool to enable poor farmers to manage weather risks efficiently. However, sustainable micro agro insurance schemes face their own specific challenges in addition to those experienced by traditional agricultural insurance schemes. Microinsurance is a low-premium, high-risk business and requires a large customer base. In the agricultural line, it encounters constraints well-known in traditional insurance schemes.

Agricultural insurance is expensive and difficult to transact because of the many parameters involved. Meteorological data are often incomplete. New technology like satellites, GPS, GIS, and remote imaging may improve the availability of high-quality weather data.

Moral hazard, fraud and adverse selection are difficult and expensive to manage. In many parts of the world, reliable meteorological data are lacking. In addition, loss adjustment is costly and agricultural insurance schemes frequently depend on government subsidies.

Experience in Latin America and Mongolia shows that much-needed, promising new risk-management strategies for the agricultural sector are being developed and tested.

Livestock insurance in Mongolia

In Mongolia, livestock constitutes 87% of the agricultural GDP. In 1999 and 2002, herder families were faced with extreme climatic events that caused high rates of livestock mortality. One third of the herds were lost due to droughts and severe winters locally known as "dzuds". Accordingly, livestock was considered uninsurable in Mongolia for a long time.

To make insurance available for small-scale herder families, the Mongolian government in collaboration with the World Bank now supports a pilot livestock insurance project. The project was introduced with a number of preliminary considerations (see box 10).



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Arun Kashyap, UNDP, USA, raises a question during the discussion on microinsurance for small-scale farming.



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Left to right: Thomas Loster, Munich Re Foundation, Germany; Jim Roth, Micro-Insurance Centre, USA; Jerry Skees, GlobalAgRisk, USA; Mark D. Wenner, Inter-American Development Bank, USA.

Plenary 4

From macro to micro: Insurance solutions for small-scale farming – Current practice and lessons learnt from Asia and Latin America

It was agreed to test an index-based insurance cover triggered by a certain mortality rate for each county, given the advantages of parametric triggers for micro agro insurance:

- Index-based insurance is transparent.
- Removes much of the covariant risk and opens the market for private innovation.
- Eliminates moral hazard and adverse selection problems.
- Mortality index gives the right incentives.
- Makes it more likely that reinsurers will gain an interest in reinsuring products such as in Mongolia.

The insurance product was first offered in 2006. In 2007, 15% of the eligible herders purchased it, with four insurance companies offering it and premium amounting to US\$ 110,000.

Trends in central and southern America

In 2005, Latin America had an agricultural insurance premium income of only US\$ 309m, insuring just 2% of the cultivated area. Whilst traditional risk-coping mechanisms are insufficient, new instruments are often not available. For example, mountain farmers in Peru have non-contiguous plots (plots at different altitudes to take advantage of various microclimates, low-yield cultivars), loss of productivity and specialisation that could be enhanced with risk-transfer mechanisms. Yet the financial instruments used in wealthier countries are not widely available in developing countries.

Box 10

Financial linkages

- Hedge default risk due to catastrophic events
 - Hedge rural lending portfolios
 - Index insurance purchased by non-bank financial institution (NBFI)
- Delivery point for variety of financial services
 - Index insurance sold at bank/NBFI branches
- Clears the path for market innovation
 - Development of more tailored insurance products

NGO linkages

- Complement to risk-mitigation activities
- Could be used to organise mutual insurance for herder groups
- Supports risk management objectives
- Mechanism for smoothing herder income
- Structured, objective disaster payments
- Targeted payments

Source:
Skees, Jerry.
Presentation
'Trigger-based
livestock insurance in Mongolia'.
Microinsurance
Conference 2007

Microinsurance for herders: Preliminary considerations

- Insurance must be affordable for a large number of herders and others at risk when major livestock losses occur.
- Insurance must be sustainable and profitable for emerging private insurance companies.
- First products should focus on the most significant covariant risk.
- Insurance or free aid should not reward poor managers.
- Proper role for government should be carefully identified.
- Insurance should work in harmony with other initiatives, including the vast array of emergency assistance that is provided.

Parametric insurance products seem promising, but have a number of weaknesses:

- Product development is data-intensive (requiring a statistical span of at least 30 years).
- Parametric insurance requires precise actuarial modelling.
- Regulation for parametric insurance is uncertain (trigger-based or indemnity-based, insurable interest or derivative?).
- Changing weather cycles and micro-conditions challenge sustainability. The influencing of trends by climate change is a major challenge.
- Basis risk is still a big challenge for index-based insurance.

Plenary 4

From macro to micro: Insurance solutions for small-scale farming – Current practice and lessons learnt from Asia and Latin America

Mexico, Argentina and Brazil account for the major share of agricultural insurance premium in Latin America. Parametric insurance might be a way to further develop the agro insurance market in that region. Parametric insurance schemes have been implemented in Mexico (Mexican Fund for Natural Disasters [FONDEN] and Mexican Earthquake Hedge for Emergency Relief), in 16 Caribbean countries (Caribbean Catastrophe Insurance Facility [CCRIF]), and in Honduras and Nicaragua (Support for Agricultural Insurance pilot project).

Learning from these insurance schemes one may conclude as follows:

- Retail parametric products have a theoretical appeal but most have encountered difficulties in scaling up.
- The donors were not reinsurers and insurers but initiated retail-level projects. There is a need to create a more compelling business-value proposition.
- Donors need to focus on developing information systems and human capacity.
- The most successful parametric projects in Latin America are at macro level.
- The most promising future work is at meso level – with suppliers, traders, financial intermediaries (portfolio insurance). However, to date very little has been done.

Experiences in Mongolia and Latin America show that multiple-peril insurance schemes, common in developed countries, are not easily replicable. Parametric or index-based insurance schemes, by contrast, are emerging and promising – but parametric schemes also face big challenges and still have to prove their viability.

A key to product success may be a socially embedded aggregator (MFI, cooperative, etc.). The aggregator should have a close social association with clients and decision-makers. Aggregators can facilitate provision of risk-reduction services, like monitoring of the take-up of veterinary services and providing useful statistical data.

Donors and humanitarian aid institutions can help to scale up agricultural microinsurance. At the macro level, such organisations can help ensure coordinated emergency and disaster policies which facilitate risk reduction (such as appropriate land use and land management, sound livestock management, etc.).

At the meso level, donors can contribute to collecting and establishing data, modelling, and helping to develop actuarial skills.

At the micro level, there is a need to understand the willingness to pay, risk-reduction awareness and training. It is important that international aid organisations coordinate policies so that poor management is not encouraged in agriculture. Farmers have a responsibility to mitigate risks independently – through agricultural extension services, by improving practices and soil quality. Ideally, microinsurance schemes for agriculture work best as part of a spectrum of complementary tools to reduce risk and stabilise yields.

Lessons learnt

- The main reasons for the lack of agricultural cover include
 - a lack of statistical independence and meteorological base data;
 - asymmetric information;
 - high administrative costs;
 - a mismatch between farmers' preferences and capacity to pay (they want full cover for all risks but have low ability to pay);
 - distorted government incentives;
 - a reluctance on the part of reinsurers to enter the market.
- Many micro agro insurance schemes are donor-driven. Cost-benefit analyses should be conducted or private insurance companies motivated.
- Most agricultural insurance schemes depend on government subsidies. Premium subsidies should be avoided and need political clarity.
- Since accurate and sufficiently long time-series data on weather and yields are required to construct actuarial tables for agricultural insurance, governments can play a major role in creating appropriate databases.
- Regulators should recognise parametric products as insurance products and make adjustments for agriculture.
- Linkages should be forged between microinsurance stakeholders, such as insurers, MFIs and donors. All parties need to work together in a more coordinated way, focusing on reducing development costs dramatically and educating farmers better.

Participating organisations

ABSA/Barclays, South Africa	Cámara de Aseguradores de Venezuela (CAV), Venezuela	HSBC Insurance life joint venture, India	London School of Economics, United Kingdom	ProVention Consortium, Switzerland	Aga Khan Agency for Microfinance, Pakistan
ACCION International, USA	CBFA, Belgium	ICICI Lombard General Insurance Co. Ltd, India	MACIF, France	Raigarh Ambikapur Health Association, India	The Co-operative Insurance Company Of Kenya Limited, Kenya
ADA asbl, Luxembourg	CGAP, France	ICMIF, United Kingdom	Micro Insurance Academy, India	REEDMAS, India	The Heritage Insurance Company Tanzania Ltd, Tanzania
ADIC Insurance, Nigeria	China Insurance Regulatory Commission, China	IDRC, WSL Davos, Switzerland	Micro Insurance Agency Holdings, LLC, USA	ReMark, Singapore	The Rockefeller Foundation, USA
Agriculture Bank Insurance Joint Stock Corporation (ABIC), Vietnam	Commercial Insurance, Lebanon	International Labour Organization, Switzerland	Microcare, Uganda	Reliance Life Insurance Company Ltd, India	Tres Consulting, South Africa
Albatross Insurance Ltd, Mauritius	Community Finance Resource Center, Vietnam	ING, India	Micro-Credit Ratings International Limited, India	RIMANSI, Philippines	TSAO Foundation, Singapore
All India Disaster Mitigation Institute, India	Cruzsalud, Venezuela	Insurance Australia Group, India	Microfinance Centre for CEE and NIS, Poland	Royal Insurance Corporation of Bhutan Ltd, Bhutan	TYM Fund, Vietnam
Allianz Life Indonesia, Indonesia	CUNA Mutual Group, USA	Insurance Commission, Jordan	MicroFinance Network, Mexico	Safcam Underwriting Managers (Pty) Ltd, South Africa	Uganda Insurance Commission, Uganda
Allianz SE, Germany	Denis Garand and Associates, Canada	Insurance Regulatory and Development Authority, India	Microfinance Opportunities, USA	Sanlam, South Africa	United Nations Development Programme, USA
Amana Takaful Ltd, Sri Lanka	Développement International Desjardins, Canada	Inter-American Development Bank, USA	MicroInsurance Centre, USA	Santam Limited, South Africa	UNIC INSURANCE PLC, Nigeria
Amsure, India	Delta Life Insurance Company Ltd, Bangladesh	International Association of Insurance Supervisors, Switzerland	Microinsurance Research Centre, United Kingdom	Sasria Ltd, South Africa	University of Kentucky, USA
ASA, Bangladesh	DGRV (German Cooperative and Raiffeisen Confederation), Germany	International Development Research Centre, Canada	Ministry of Commerce, Government of Pakistan, Pakistan	SAWEN, South Africa	University of Passau, Germany
Ashoka Innovators for the Public, India	DHAN Foundation, India	International Finance Corporation, USA	Ministry of Finance, Vietnam	SBI Life Insurance Co. Ltd, India	United Nations University – Institute for Environment and Human Security, Germany
Asia Insurance Post, India	EMOSE, Mozambique	International Network of Alternative Financial Institutions (INAFI) Asia and Bangladesh, Bangladesh	Ministry of Labour, Invalids and Social Affairs, Vietnam	Securities and Exchange Commission of Pakistan, Pakistan	United Nations University – Institute for Environment and Human Security, Germany
BaFin, Germany	Evangelical Social Action Forum, India	International Organization for Migration (IOM), Guatemala	MISEREOR, Germany	Seguros Azteca, S.A. de C.V., Mexico	Uplift India, India
Banco Compartamos, Mexico	FASECOLDA, Colombia	Intellectap, India	Munich Re, Germany	SEWA, India	US Agency for International Development, USA
Banyan Global, USA	Fenaprevi (National Federation of Private Pension and Life), Brazil	International Fund for Agricultural Development, Italy	Munich Re Foundation, Germany	SHARE Microfin Limited, India	Wainganga Samudaik Vikas Kendra, India
Bao Viet Corporation, Vietnam	Fenaseg (National Federation of Insurance and Capitalization Companies), Brazil	KfW – German development bank, Germany	Mutual and Federal Insurance Company Limited, South Africa	SHIEKAN Insurance & Reinsurance Co., Sudan	The World Bank, USA
Barnert Global Ltd, USA BASIX, India	Financial Express, India	LAPO, Nigeria	Mutualité Française, France	SHARE Microfin Limited, India	XAC-GE LLC, Mongolia
Beema Samiti (Insurance Regulatory Authority of Nepal), Nepal	FinMark Trust, South Africa	Leadway Assurance Company Limited, Nigeria	National Credit Council, National Insurance Company, Pakistan	Shiekhan Insurance & Reinsurance Co., Sudan	Zurich Financial Services, Switzerland
Bill & Melinda Gates Foundation, USA	Folksam, Sweden	Life Insurance Corporation of India, India	National Treasury, South Africa	Sida, Sweden	
Binminh CDC, Vietnam	Freedom from Hunger, India	Lokhit Pashu-Palak Sansthan (LPPS), India	Nippon Life Insurance Company, Japan	SKS Microfinance, India	
BIPSA, South Africa	Fukuoka University, Japan		Office of Insurance Commissioner, Papua New Guinea	South Indian Federation of Fishermen Societies, India	
BRAC, Bangladesh	Gradatim IT Ventures, India		National Insurance Company, Pakistan	State Bank of Vietnam, Vietnam	
Bradescos Auto/RE Cia. de Seguros, Brazil	GTZ, Germany		National Treasury, South Africa	Surety Fund Global Services, France	
Bradescos Vida e Previdência, Brazil	Hannover Life Reassurance, South Africa		Nippon Life Insurance Company, Japan	SUSEP (Superintendence of Private Insurance), Brazil	
BRS – Belgian Raiffeisen Foundation, Belgium	HDFC Standard Life Insurance Co. Ltd, India		Office of Insurance Commissioner, Papua New Guinea	Swadhaar FinAccess, India	
Business Standard Newspaper, India	Healing Fields Foundation, India		Old Mutual, South Africa	Swayam Shikshan Prayog, India	
Calcutta Kids Trust, India	Hollard Insurance, South Africa		Opportunity International, India	Swiss Federal Institute of Technology Zurich, Switzerland	
CARD Mutual Benefit Association Inc., Philippines			Oxfam, United Kingdom	Swiss Reinsurance Company, Singapore	
CARE India, India			Palli Karma-Sahayak Foundation, Bangladesh	Tata AIG General Insurance Co. Ltd, India	
			Parvati Swajamrojgar, India		
			PHCC Dumkauli, Nepal		
			PlaNet Finance, France		

Acronyms

AIDMI All India Disaster Mitigation Institute	IIASA International Institute for Applied Systems Analysis	RRTI Regional Risk Transfer Initiative	© 2008 Munich Re Foundation Königinstrasse 107 80802 München, Germany Letters: 80791 München, Germany Telephone +49 (0)89 38 91-88 88 Fax +49 (0)89 38 91-7 88 88 info@munichre-foundation.org www.munichre-foundation.org Order number 302-05491 Contact Dirk Reinhard dreinhard@munichre-foundation.org Design Keller Maurer Design, Munich Lithography ZG Reproduktionen, Munich Printed by Druckerei Fritz Kriechbaumer Wettersteinstrasse 12 82024 Taufkirchen, Germany
AKDN Aga Khan Development Network	ILO International Labour Organization	SaaS Software as a Service	
BOP Bottom of the pyramid	IMD India Meteorological Department	SHGs Self-help groups	
BRS Belgian Raiffeisen Foundation	INR Indian rupee	SIFFS The South Indian Federation of Fishermen Societies	
CCRIF Caribbean Catastrophe Insurance Facility	IOM International Organization for Migration	STEP Strategies and Tools against social Exclusion and Poverty	
CGAP Consultative Group to Assist the Poor	IRDA Insurance Regulatory and Development Authority	TROP Term with return of premium	
FASECOLDA Federación de Aseguradores Colombianos	IT Information technology	US\$ United States dollar	
FONDEN Fondo de Desastres Naturales (Fund for Natural Disasters, Mexico)	LKR Sri Lankan rupee	ULIP Unit linked insurance plan	
FST Financial services tax	MBA Mutual benefit associations	UNDP United Nations Development Programme	
GDP Gross domestic product	MBPL Marginally below the poverty line	UNU-EHS United Nations University – Institute for Environment and Human Security	
GIS Geographic information system	MCR Minimum capital requirement		
GPS Global Positioning System	MFI Microfinance institution		
GTL Group term life	MIFSEA Microinsurance for South East Asia		
GMD Group management division	MILA Microinsurance for Latin America		
GTZ Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)	MI-MBAs Microinsurance Mutual Benefit Associations		
IAIS International Association of Insurance Supervisors	MIS Management information system		
ICPs Insurance core principles	NCMSL National Collateral Management Services Limited		
	NGO Non-governmental organisation		
	POS Point of sale		
	PPP Public-private partnership		
	RAHA Raigarh Ambikapur Health Association		

The active exchange with other practitioners in Mumbai was extremely valuable on several fronts: first of all, raw knowledge transfer, secondly, new contacts and, last but not least, a tangible sense of collective momentum.

Brandon Mathews
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