

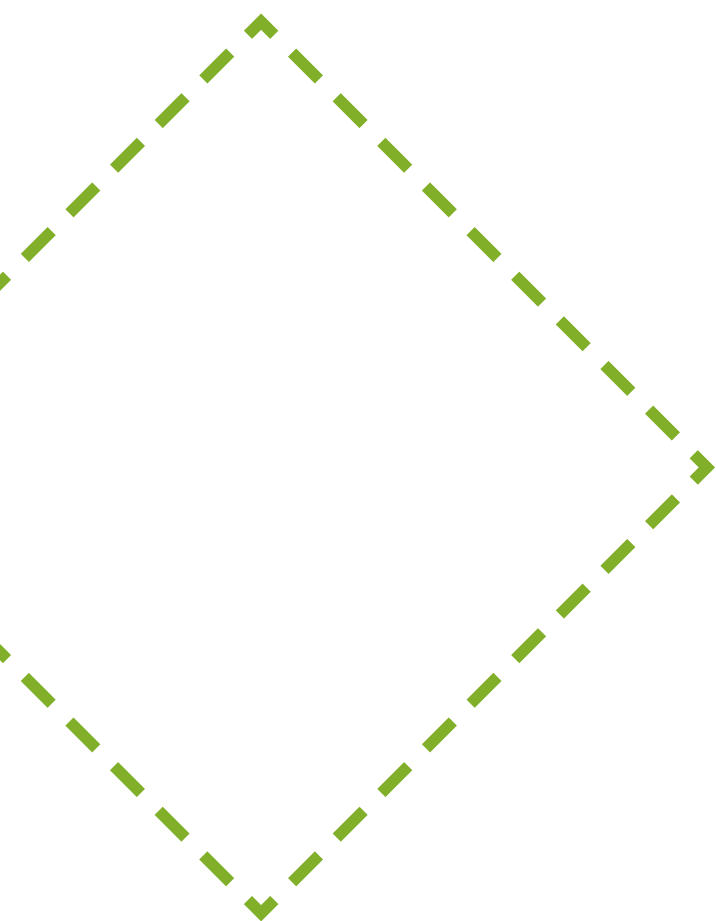
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Report

# 4th International Microinsurance Conference 2008

## Making insurance work for the poor

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5–7 November 2008  
Cartagena, Colombia

Edited by  
Zahid Qureshi and Dirk Reinhard

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Conference documents and  
presentations are available online:  
[www.microinsuranceconference2008.org](http://www.microinsuranceconference2008.org)

Links:

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[www.munichre-foundation.org](http://www.munichre-foundation.org)

Microinsurance Network  
[www.microinsurancenetwork.org](http://www.microinsurancenetwork.org)

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## Acknowledgements

This report is the summary of the 4th International Microinsurance Conference that took place in Cartagena, Colombia, on 5–7 November 2008. The International Microinsurance Conference is jointly hosted by the Munich Re Foundation and the Microinsurance Network (formerly the CGAP Working Group on Microinsurance). This year's conference was supported by FASECOLDA, FIDES and the Superintendencia Financiera de Colombia.

On behalf of the organisers, we would like to thank members of the conference steering committee involved in shaping the conference and identifying suitable speakers and presentations from the long list of over 100 submissions for speeches that were received during the preparations for this conference. We would especially like to thank Roberto Junguito, Executive President of FASECOLDA, his co-workers Rebecca Herrera and Alejandra Díaz, as well as staff of FASECOLDA working behind the scenes. The support from FASECOLDA was extraordinary. Its commitment to making this conference succeed was beyond our expectations and made a crucial contribution to the excellent results the event achieved.

A very warm "thank you" goes to the President of Colombia, Mr. Álvaro Uribe, for opening the 4th International Microinsurance Conference and giving such a wonderful and encouraging keynote speech. His appearance at the event – which took place in Latin America for the first time – made the opening of the conference very special.

One of the key objectives of the International Microinsurance Conference is the sharing of experience across different continents and discussing current practices and lessons learnt. The many plenary discussions and parallel sessions would not have been possible without the contributions of over 50 speakers and facilitators from around the world. We would like to thank all of them for the time they took to prepare their presentations and sessions and their willingness to share their knowledge and experience to help improve and facilitate access to insurance for the poor. And our thanks go also to the over 450 participants from more than 40 countries for contributing their comments and questions and making the discussions lively and thought-provoking.

A conference of such magnitude needs a lot of people working behind the scenes. Prior to and during this event, the organisation team – Christian Barthelt, Angelika Boos, Markus Heigl, Petra Hinteramskogler, Jana Junghardt, Elisabeth Kirchbichler, Torsten Kraus, Thomas Loster and Martina Mayerhofer – worked literally day and night to accommodate requests and needs of conference participants and speakers. We also thank our colleagues at the Munich Re office in Bogotá for their kind advice and for sharing their local market knowledge.

Last but not least, we thank the team of interpreters that did an amazing job of translating speeches faster than the speed of sound, as well as the team of rapporteurs – Gloria Almeyda and Andrea Camargo – led by Zahid Qureshi, for helping us gather and document points made and lessons drawn in various sessions of the 2008 conference.

Craig Churchill – Chairman,  
Microinsurance Network

Dirk Reinhard – Vice-Chairman,  
Munich Re Foundation

1 — Craig Churchill, Chairman,  
Microinsurance Network, ILO, Switzerland.

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



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Agenda

Day 1

5 November 2008

Opening of the conference	Speakers
Welcome addresses	<div><div>Craig Churchill</div><div>Chairman, Microinsurance Network, ILO, Switzerland</div></div> <div><div>Roberto Junguito</div><div>Executive President, FASECOLDA, Colombia</div></div> <div><div>Thomas Loster</div><div>Chairman, Munich Re Foundation, Germany</div></div>
Inaugural address	<div><div>Álvaro Uribe</div><div>President of Colombia</div></div>
Workshop Introduction to microinsurance	<div><div>Craig Churchill</div><div>ILO, Switzerland</div></div> <div><div>Michael McCord</div><div>MicroInsurance Centre, USA</div></div> <div><div>Gabrielle Tomchinsky</div><div>Consultant, USA</div></div>

3 — Left to right:  
Roberto Junguito, Executive  
President, FASECOLDA;  
Joaco Hernando Berrío  
Villarreal, Governor of Bolívar;  
Thomas Loster, Chairman,  
Munich Re Foundation; Álvaro  
Uribe, President of Colombia;  
César Prado, Superintendente,  
Superintendencia Financiera  
de Colombia; Craig Churchill,  
Chairman, Microinsurance  
Network.

4 — Over 450 participants  
from more than 40 countries  
attended the opening of the  
4th International Microinsurance  
Conference.



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## Introduction and welcome addresses

The fourth global forum of experts and practitioners in microinsurance was held in a fitting location. The low-income sector of the market – known in business circles as the bottom of the pyramid (BoP) – includes an estimated four billion people worldwide. Of these, 300 million are in Latin America – far fewer than, say, the 1.8 billion in India and China, but they may form a bigger market for microinsurance. Their per-capita income, though small, is still higher than that for low income groups in Asia. They are characterised as more “aspirational” – and therefore better prospects for private insurance – than “survivor” – those who must count on social protection schemes. And within Latin America, microinsurance has developed most rapidly in Colombia because of the interest of the private sector as well as government.

Reflecting that interest, the insurance industry of Colombia co-hosted the 4th International Microinsurance Conference, sponsored by the Munich Re Foundation and the Microinsurance Network (formerly the CGAP Working Group on Microinsurance), in Cartagena on 5–7 November 2008. The country's president, Álvaro Uribe himself, was there to welcome over 450 practitioners and experts from more than 40 countries who took part in the global summit.

The main themes of the 2008 conference were

- 1 Technology
- 2 Capacity building
- 3 Regulation, supervision and policy issues
- 4 Innovative products and distribution channels

Besides an inaugural session, the conference featured an introductory workshop, five plenaries and nine parallel sessions on the main themes and various subtopics. Setting the stage at the conference opening, President Uribe gave a rousing keynote speech on the need for microfinance and microinsurance in Colombia.

For those involved in microinsurance, it is notable that a head of state should attend one of their conferences to raise the profile of this fast-growing sector of financial services. His presence will spur all stakeholders to move beyond interest to more action in serving low-income households. For practitioners who entered this market niche barely a decade ago with simple products, the time is ripe to reach for fruit higher up in the tree.

Craig Churchill, Chairman,  
Microinsurance Network, ILO

Some 60% of the delegates were from Latin America and, reflecting deepening inroads by microinsurance into the mainstream industry, 70% represented the private sector. Compared to the 3rd International Microinsurance Conference, held in Mumbai, India, in November 2007, the number of participants grew again – as in previous years – by 50%.

In the evolution and growth of microinsurance globally, the case of Colombia is very important. Here there was no real need to modify existing insurance legislation to make things work. Under the umbrella of supervision for mainstream insurers, the private sector was encouraged to develop new products for the poor, meet their changing needs and increasing demand and grow through competition. Microinsurance is now regarded as having a significant social impact in Colombia.

Roberto Junguito, Executive  
President, FASECOLDA

Since the first conference in 2005, microinsurance has grown from being just a catchword, said Thomas Loster, Chairman of the Munich Re Foundation. “It now gets onto the priority agenda of major emerging economies and other key leaders.”

In the G8 Gleneagles process or the climate negotiations process designing an agreement to follow up on the Kyoto Protocol, microinsurance is deemed a widely accepted tool to combat poverty and adapt to changing risks.

Thomas Loster, Chairman,  
Munich Re Foundation

In a sense, microinsurance may no longer be “micro” as it expands as a key, albeit only one, tool in a package of services to help the poor, Mr. Loster said. In the overall development spectrum, he added, this series of microinsurance conferences and their agenda capture a core element: on its own, microinsurance may not solve hunger and deprivation, but it helps the poor manage expectations and protect the hard-earned improvement in living conditions.



## Inaugural address

The address, delivered in Spanish, was transcribed from an audiotape and translated into English for this report.

Governor Dr. Juaco Berrío; Thomas Loster, Chairman of the Munich Re Foundation, Germany; Craig Churchill, Chairman of the Microinsurance Network, from the International Labour Organization (ILO); Dr. Roberto Junguito, ex-minister and Executive President of FASECOLDA; César Prado, Banking Superintendent; Dr. Luis Fernando Mathieu, Chairman of the Board of FASECOLDA; Gina Benedetti de Vélez, Colombia's Ambassador to Panama; esteemed participants and friends from the media. I thank you for holding such an important conference in Colombia, in the city of Cartagena. Many thanks also to FASECOLDA, to the Munich Re Foundation, to the Microinsurance Network and the ILO for all their efforts, and to all of you.

There is one very important element that is necessary to confront a number of needs: the requirement to formalise the economy and give the poor the means to tackle the serious environmental risks of our time and those yet to come, and also the chance to expand what, in the words of Prahalad, we call the "bottom of the pyramid" business.

The first thing we have to appreciate in this respect is that microinsurance is necessary and that we need to make it accessible to low income sectors of the population, not as an act of charity but ultimately as a business that is useful to insureds and insurers alike.

Now that I have said this by way of introduction, please allow me to talk about the fundamental elements of our government and get down to a tool that we consider very important, namely microcredit, which can be an older companion for microinsurance on its road to expansion in Colombia.

Esteemed visitors and fellow-countrymen, we are working to build confidence in Colombia, confidence that is backed by democratic security, by investor confidence – something we need right now at this time of great crisis in the world economy – and by social policy, where microinsurance will have a vital role. Investor confidence and democratic security create a framework for prosperity that makes social policy possible, and this in turn provides a firm foundation for investor confidence and security.

Last night, in the inauguration of FASECOLDA's Council, we had an opportunity to speak at length about the subjects of security and investor confidence. How has investment in Colombia developed? What has Colombia done to promote it? What gains have we made in investor confidence? What strengths do we have to face up to this world economic crisis? And what risks arise for Colombia from the reality of this crisis?

Allow me to refer to the third section of our confidence structure, the section involving the building of social cohesion, which then brings us to the subject of microcredit.

We proposed placing the building of social cohesion on a par with investor confidence and democratic security, so that it would operate as an opinion-validator for the latter two.

### Basic education coverage in Colombia: A success story

On the subject of basic education – and this subject is of course important because, as we make progress in education, we get greater awareness of microcredit and microinsurance, etc. – an educated family is a family that will tend to make the effort to arrange insurance, progress in education being inseparable from progress in microcredit and progress in microinsurance.

Our baseline is the year 2002, when we had basic education coverage of 78%. We now have 96% coverage and are endeavouring to achieve 100% coverage in basic education in 2010. We are just starting to extend educational coverage to children under the age of five, a group in which we have made considerable progress in terms of nutrition, to which I will be referring later.

In university education, our coverage was 22%. Today it stands at 33%, and our aim is to achieve coverage in excess of 35% by the end of this government's term.

In vocational training, we have made great progress. Colombia has a state institution that forms part of the 411 state bodies reformed by this government, and it is making substantial progress. It has prestige among the general populace and is quite well-known both nationally and internationally. It is called the SENA, which stands for the Servicio Nacional de Aprendizaje or National Apprenticeship Service. It is maintained and funded by a special levy paid by employers, equivalent to 2% of payroll – in other words a payroll tax of 2%.

It is a body that is fundamental to the training and support of microentrepreneurs, and I believe that it is a body that has to be taken into account if we are to make progress in bringing microinsurance to the masses in Colombia, because it raises awareness and provides training and support.

When our government took office, that body trained 1.1 million Colombians each year. This year, it will reach almost six million Colombians. Whilst it used to deliver five million hours of teaching each year, this year it will deliver almost 16 million hours of teaching. It has become the main tool for bringing the teaching of English to the masses in Colombia, already reaching 500,000 permanent students of English with free access via the internet. Also via the internet, the body is delivering vocational programmes to two million Colombians each year, through virtual distance learning. It has greatly improved the employability of its graduates, which has gone up from 40% to more than 80%. There is more pertinence, which is one of the aims of our educational policy.

5 — Álvaro Uribe, President of Colombia.



One of the fundamental changes that we have introduced is education in cycles, which means that young people will be encouraged to acquire the full range of work skills before graduating from high school. Whether they subsequently become technicians or technologists, at any point in their lives they can go on to university, be awarded the education credits they need, gain access to a higher level of education, and so on. Education in cycles is proving a big help to us in awakening in Colombians the need to study and work throughout their lives.

In order to support the expansion of university education, we have a very important credit institution that microinsurance companies ought to work with, as it is important to reach university students with microinsurance. This institution is the Colombian Institute for Educational Loans and Technical Studies Abroad (ICETEX). This institution had 60,000 students with loans when our government took office; at the end of this year there will be 235,000 students with loans. It has been fundamental to expanding the possibilities for Colombians to have access to university and to master's degrees and doctorates. I am mentioning this educational effort because I think that there are links there for connecting to a policy that the state must promote, but which has to have the private sector as its principal actor for bringing microinsurance to the masses.

We have also made great progress in the area of nutrition. The country has gone from state programmes that delivered to 3.3 million children to a situation where we now have ten million children in nutrition programmes, but we still have to reach another two million children at least.

#### **Providing health insurance for the informally employed**

We have made considerable progress in the area of health. We used to have 23 million Colombians insured; today we have 38 million Colombians insured. The aim is to bring the number of Colombians with health insurance up to 44.6 million. Although we are still short of this goal – there are some 6.6 million Colombians with no basic health insurance – we have to make progress with quality and it has to be said that we have two systems: a health system for formal workers, which offers much better coverage of risks than the subsidised health system for informal workers, which has inferior coverage of risks.

One of the challenges of the next few years, at the same time as progress is being made in completing coverage and improving quality, is for the country to start raising the level of insurance of workers in the informal economy, in order to bring it up to the same level as that of workers in the formal economy. I believe that we have to think about microinsurance here. For example, I think it will be difficult in the short term for state finances to manage to provide 44.6 million Colombians with health insurance having the same cover as the insurance that is currently offered to formal workers.

We have made progress with a programme called “Families in Action”. This is a programme that subsidises the poorest families, but it is a conditional subsidy. The families have to prove that their children are attending school and undergoing medical and nutritional checks. Today we have 1.7 million families in this programme. When the government came to office there were 220,000. In the coming year – and this will be a challenge owing to the problems of income arising from this crisis – we must reach the figure of three million “Families in Action”. This will be difficult in view of the contraction in income, but it is imperative, given that in difficult times it is even more of a necessity to protect the poorest sectors of the population. With “Families in Action”, there is a very important universe for working on the subject of microinsurance.

Before referring to the Bank of Opportunities, which is the area that most connects us with microinsurance, let me say that we are making progress with a strategy called “Together” in order to reach the one and a half million poorest families in Colombia, with the aim of ensuring that all these families benefit from programmes in education, health and nutrition, and housing, so that we can rescue them from poverty. I suggest that the private insurance sector should get in touch with the government's National Planning and Social Action departments in order to work on exploring a mass system of microinsurance for the group of one and a half million of the poorest families that are joining the “Together” programme.

#### **Bank of Opportunities – Raising participation in institutional microfinance instruments**

The Bank of Opportunities is not a new bank but a programme. Who is behind it? What is the government doing? At whom is it aimed? What results has it produced? The parties involved are generally all the first- and second-level banks, public banking, private banking, the State Guarantee Fund, which has quite a few branches, foundations and national and international NGOs devoted to microcredit.

What is the state doing? The state has facilitated this with regulations on the setting of lending rates, which is the rate that puts a ceiling on the rates operating in the Colombian financial sector. The state has promoted this by authorising non-banking correspondents, financial offices that operate in any shop, in any small store, a fairly informal kiosk, but with connectivity that has all the services. This is allowing us to reach many regions of Colombia with this service.

The state is also injecting two types of resources – on the one hand resources of non-refundable contributions and, on the other, resources involving credit. The first come from the national budget and are aimed, for example, at financing the expansion of non-banking correspondents, which could end up being correspondents for promoting microinsurance. This would be one way of getting microinsurance to the poorest sectors of the population. And the state is also injecting credit resources. Many NGOs turn to funds from the state, to a second-level state bank called BANCOLDEX (Banco de Comercio Exterior de Colombia, our state-owned foreign-trade development bank) for credit resources in order to be able to increase their programmes of direct lending to microentrepreneurs. The State Guarantee Fund has been quite useful, and it also has institutions like the SENA, which do a lot of work training and supporting microentrepreneurs.

So far we have found that, where microentrepreneurs are concerned, the problem is not so much one of resources as of organisation, support and the adequate selection of projects. I would say that what is needed more than resources is to be well-disposed to microentrepreneurs with respect to projects, and to support them and train them, etc. It is a job that requires a great deal of persistence, and it does not fail. For example, each week we hold a Bank of Opportunities meeting and there are weeks in which we have two or three meetings, with the heavy involvement of all the institutions and 30 to 50 microentrepreneurs turning up each week.

It is very important to promote those who are coming to institutional credit for the first time. Each week we highlight those who have come for the first time, because this country had been quite slow in extending banking services. Now, participation in banking is rising, with 57% of people using at least one service. The jump has been quite large recently but there is still a very long way to go. Week after week we are therefore encouraging Colombians who have never been in the institutional credit system to join it, and this brings us to a second question, namely which ones have already received loans from the institutional system and which ones are receiving them for the second, third or fourth time, because we have to encourage compliance. What we say to our fellow-countrymen is: "Pay the day before." This is growing considerably and we have to be very correct. Each week we also highlight those who have complied and who, by virtue of their compliance, are receiving loans for a second, third or fourth time.

It is also very important to encourage citizens to make the move from the black market of money-lending to the financial institution market. Each week we ask recipients of these loans who they owe money to in the usury (inequitable interest) market and we make every effort to ensure that, on receiving an institutional loan, they immediately clear their debts to the usury market. **Our view is that it is impossible for a person from the low-income strata of the population to take out a loan with a formal institution and continue to be in debt to the black market system of usury - and this is something on which we very much insist.**

And it is very important to bear in mind that, when quality-of-life surveys ask the poorest sectors in Colombia whom they would turn to in an emergency, they think of usury rather than microinsurance. **As we are making the effort to encourage the move from the black market of usury to the institutional financial market, I believe that this is the time to tell the poorest Colombians that "insurance is the first option in an emergency."** I think that it is appropriate to launch this campaign because surveys show that the poorest Colombians are virtually unaware of insurance as the first option for dealing with an emergency, and their first option for dealing with an emergency is to turn to the black market of usury. This is what we have also encountered.

We also think that it is important to talk about support. We generally require people to have some organisation to provide them with training and support. The supporter does not always have to be a guarantor. No, where a person or a microentrepreneur backed by a serious foundation goes to a bank, the foundation does not end up being a guarantor or joint debtor simply through having supported the applicant. The fact that the banker knows that the foundation is a serious one which has provided the microentrepreneur with training and supports him during the time that he is indebted gives the banker confidence. I think that something can be done in microinsurance: we need to look for foundations that encourage and support the poorest sectors and are permanently raising their awareness of the need for microinsurance and the advisability of keeping the policy in force and payments up to date.

#### **The need for flexibility**

We also believe that this requires flexibility. One of the state institutions in Colombia is called the Fondo del Ahorro or Savings Fund. Generally it has managed retirement aid, known as termination assistance, for the public sector and makes home loans based on these amounts. Two years ago, by law of the Republic, we opened up this institution to the savings of the poorest sectors. The requirement is to save for a year in order to be entitled to a loan.

We have not achieved the flexibility that we would like. **My view here – and we follow Prahalad closely in this respect – is that with people in low-income sectors of the population the first thing we have to do is awaken the spirit of saving and performance rather than make demands as to amounts.** If someone has to save for 50 weeks in order to receive a loan, I think we have to require them to save for the 50 weeks so that they get into the saving habit, but not to confuse this with the requirement for them to **save a certain amount.** If you tell them that they need to save a dollar a week but one week they just don't have the dollar, the important thing is that they come along and say "I really want to save but this week I just don't have a dollar – all I have is one cent," and they save that. We believe that the desire to save is more important than requirements as to amount.

The same applies when it comes to payment. We stress that the most important thing is the sense of performance rather than the amount to be paid. If someone has to pay 50 weekly instalments of one dollar, the important thing is for them to turn up and say: "Look, this week I only have 50 cents," and for them to turn up the next week saying: "I've got one dollar fifty," and I think that this can be transferred to the area of microinsurance.

What will work is a great sense of performance, a great habit of performance, a great habit of saving and punctual payment in the system of access to microcredit; in the microinsurance system, great awareness of the need for microinsurance to be the first option in an emergency, great awareness of the need to arrange it in time and great awareness of paying the value of the policies on time.

We have to be flexible and require a sense of performance. We in the public service are starting a number of similar programmes that are flexible. Here, the method used for cellular phones brought us the prepaid card. We believe that this needs to be introduced for water supply services and electricity services, and this is being tried out in some parts of the country. The low-income sectors need to be offered innovative systems of marketing for everyday products, and I think this also applies where microinsurance is concerned. **We have to offer the poorest sectors every possibility through major innovations in marketing. This requires persistence.**



When we began our first term of government with Dr. Roberto Junguito as Minister of Finance, it was not the first time that he had held that post, because whenever our country has a crisis it calls upon Dr. Junguito to help. In the middle of that crisis we proposed that, in the first term of government, we would lay out, COP 5bn (US\$ 2.1m) in loans to microentrepreneurs. I myself saw it as a distant figure but we managed it, reaching 1.8 million families with microcredit throughout the system.

The system is called the Bank of Opportunities. Someone suggested I call it the Bank of the Poor but I said no, as credit for the poor would mean labelling the poor as poor all the time. *It had to be the Bank of Opportunities, for those who wanted to get ahead. It was very important that people should feel that they had a great opportunity and not welfare. It has to be sold as a great opportunity.*

For the second term of government we proposed reaching five million families. We are now getting close to three million and we have 21 months in which to reach two million families and meet our target of five million families. We are taking other measurements, four of which I will refer to. First, how many of these families are gaining access to an institutional loan for the first time? So far, in our second term of government, we have got this number up to 900,000.

The second measurement is: what is the balance of the portfolio? When we began our term of government, the part of the financial system in the hands of microentrepreneurs amounted to COP 732bn (US\$ 303m). Today the figure stands at around COP 6,000bn (US\$ 2.5bn), an enormous increase. What percentage of the financial sector's portfolio does this represent? The portfolio provided by institutions subject to the supervision of the Superintendencia Financiera (Financial Supervisory Authority) and the portfolios from NGOs and cooperatives, etc. represented 1.5% of Colombia's total financial portfolio. Today it represents more than 5% – which means that there has been a relatively large increase.

There are other areas that are more difficult to measure, but one can obtain quite important perceptions, for example the relation between supply and demand. Microcredit is what produces the fastest relation between supply and demand when it stimulates growth in supply through microcredit. This produces an immediate effect in the aggregation of demand. A microentrepreneur improves his income, buys more, or his family raises its level of consumption; he also acquires a machine, offers more, improves quality, takes on one employee immediately, then takes on two employees – all of which helps the economy enormously, stabilises homes and produces a reduction in the number of students giving up school and university.

As we have made progress in Colombia with microcredit, education and these social policies, we have seen a reduction in unemployment among heads of households. This unemployment reached 10% but now stands at 5 or 6%. We should like to reduce it quickly to no more than 4%. We have had to deal with all these economic crises. When the income situation of heads of household stabilises, there is a fall in the number of students giving up school and university, and this helps considerably.

There is one very important measurement: the portfolio. *The poor are good payers. I am surprised by how healthy the portfolios in the microentrepreneurial sector are.* I asked Women's World Banking about the number of loans in the portfolio that were more than 30 days in arrears. The figure stood at 0.5% or 1% and so on. We have had some problems with one official bank, the Agrarian Bank of Colombia, in some sectors of the country, but I would say that, as a rule, the microentrepreneurial portfolio is a very sound one. That being the case, one would expect to achieve a good result from the sale of insurance policies to low-income sectors of the population.

### The potential of the 'bottom of the pyramid'

I have told bankers that if ever the wealthy sectors no longer require credit, they will need to look to the bottom of the pyramid in order to expand their business. The same thinking applies to the insurance sector – you have to look to the bottom of the pyramid. The reality is that the rich are few in number and it is very easy for markets to become saturated. These policies therefore oblige the banks to reach a much broader community base and tailor their services accordingly.

This requires lots of dedication. We usually say that it is very easy to make a loan of US\$ 1m to a company with a good balance sheet. You send it a letter or an e-mail saying that the money has been allocated to its account. Getting a loan of US\$ 200 to a microentrepreneur in Cartagena is very difficult. It requires great dedication, but the dedication is picking up speed and is being brought to the masses. It is good that in such difficult times as these we can take a road that brings microinsurance to the masses – what a great help that is!

This is a country that suffers many tragedies. It is possible for us to spend US\$ 180m on dealing with flooding and landslide tragedies, and this is repeated year after year. My question is: Why don't we work with microinsurance? When I arrived in Cartagena the Commanding Admiral of the Atlantic Naval Force told me that yesterday, on the nearby River Magdalena, flooding caused the collapse of a small peasant house in which some marines were sleeping. One died and another was injured. And we can be absolutely certain that that little house was not insured.

*Only when we measure the magnitude of recurrent tragedies caused by floods, droughts, avalanches, etc. do we see a great horizon for tackling the subject of microinsurance. This has to be done from the heart but without any spirit of charity; doing this from the heart can result in good business for everyone.*

It is to be hoped that we will see many successes and great figures as microinsurance advances among Colombians. Many thanks to all our guests and conference participants.

## Introduction to microinsurance

The definition of microinsurance will continue to evolve as the sector develops, but it will retain a common thread: the provision of cover to low-income persons. As a tool to protect the poor against specific perils, it goes back to the origins of insurance among precursors such as the Roman burial guilds. The term microinsurance came into vogue in the 1990s with the growth of microcredit and the need to cover such loans. The expansion of microfinance services since then has included a variety of insurance products to meet specific needs of the poor. What is new now is the use of technical expertise and innovative technology to facilitate the development of new business models and creative risk-management solutions.

### Ensuring sound development

As microinsurance evolves, there will be increasingly higher standards for quality products tailored to meet client needs. The foundation of the sector is expanding quickly with key stakeholders joining forces and unparalleled resources, making this a pivotal time in the development of microinsurance. Greater innovation is needed in product design (simplicity), processes, controls and systems. Scaling poorly developed products means risking the failure of the industry and a loss of the trust of low-income clients.

Reaching scale is fundamental but will only be possible with a solid platform of well-developed business models built on lessons learnt.

Among a variety of products on offer, health is the one for which there is the greatest demand but limited supply. It straddles the grey area between social protection and private insurance, and is difficult to offer because, apart from involving a healthcare provider as an additional player, it can only be made affordable for the poor by severely limiting benefits. Another product in great demand is agricultural insurance. It has had to be heavily government-subsidised, and so far there has not been much evidence of a sustainable scheme for the poor – with recent innovations like rainfall index insurance showing potential but remaining in the pilot stage. Some microinsurers offer composite products combining multiple benefits, sometimes with different risk carriers. The challenge there is to strike a balance between keeping the product simple and covering more and more perils.

If price is initially set conservatively at the high end of the scale based on actuarial data, it should be brought down, or excess used to add value, to benefit policyholders. Good microinsurance practices and innovations help mainstream insurers utilise them for conventional insurance schemes.

### Box 1

#### Effective delivery

Microinsurance is delivered to the poor through unlicensed, informal channels as well as in association with licensed risk carriers. Among the latter, direct sales is an expensive model.

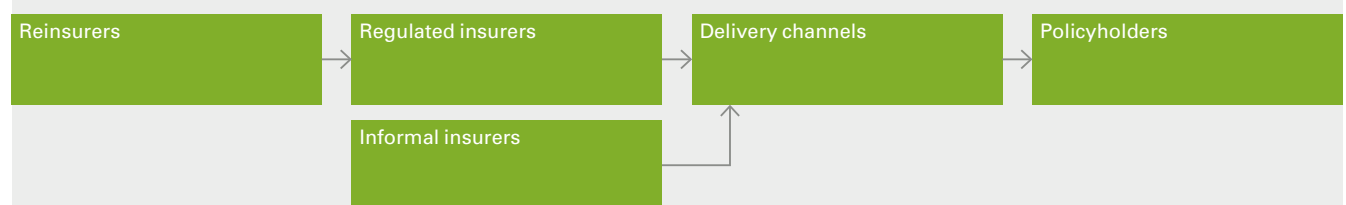
An effective microinsurance delivery channel

- engages in financial transactions with the low-income market;
- serves large volumes of low-income people;
- has the trust of the poor;
- represents the interests of its clients/members.



6 — Left to right:  
Gabrielle Tomchinsky, Consultant,  
USA; Michael McCord,  
MicroInsurance Centre, USA;  
Craig Churchill, ILO, Switzerland.

Figure 1  
Microinsurance supply chain



#### What they do

- |  |                                   |   |  |
|--|-----------------------------------|---|--|
| — Can cover partial risk of an insurer         | — Manage insurance risk           | — Direct contact with policyholders       | — Pay premiums   |
| — Not usually involved except health and index | — Pay claims                      | — Sell insurance                          | — Make claims  |
| — Some regulations require reinsurance         | — Final say on product components | — May aid clients with, or settle, claims | — Buy group cover for all members, clients, employees and others |
|  | — Regulatory compliance           | — Collect premiums                        |  |
|  | — Manage controls                 |   |  |

#### Who they are in MI

- |                       |  |                    |   |
|-----------------------|--|--------------------|---|
| — Multinational       | — Multinational and domestic commercial insurers | — MFIs and banks   | — Individuals   |
| — Regional            | — Mutuals (professionally run)                   | — CBOs             | — Groups (for clients, members, employees and others) |
| — National reinsurers | — CBOs   | — NGOs             |   |
|                       | — NGOs   | — Specialty agents |   |
|                       | — Funeral parlours                               | — Employers        |   |
|                       | — Informal groups                                | — Governments      |   |
|                       |  | — Retailers        |   |
|                       |  | — Churches         |   |
|                       |  | — Brokers          |   |

Regulations and supervision — The foundation of sound consumer protection

Support structures — Actuaries, associations, adjusters, IT providers, others

Donors — Strengthening the weak spots

# Agenda

## Day 2 morning sessions 6 November 2008

Plenary 1	Speakers	Facilitators
Challenges for microinsurance development in Latin America – Round table	<u>Roberto Junguito</u> FASECOLDA, Colombia  <u>Mark Wenner</u> IDB, USA  <u>Antonio Cássio Dos Santos</u> FenaPrevi, Brazil  <u>Jorge Claude</u> FIDES, Chile	<u>César Prado</u> Superintendencia Financiera de Colombia, Colombia
Plenary 2		
Strategic approaches to capacity building	<u>Gabriele Ramm</u> Consultant to GTZ, Germany Introduction  <u>Arup Chatterjee</u> IAIS, Switzerland IAIS's approach to capacity building  <u>Iddo Dror</u> Micro Insurance Academy, India Assisting communities to manage their risks bottom up  <u>Erick Schulze</u> Centro AFIN, Bolivia The adviser's role in microinsurance	<u>Véronique Faber</u> ADA, Luxembourg

## Plenary 1

## Challenges for microinsurance development in Latin America

### Round table

Latin America has a big potential for microinsurance and a number of countries with initiatives. Among them are Mexico, Honduras, Nicaragua, Guatemala, Colombia, Peru, Bolivia and Brazil.

#### Brazil

In Brazil, products for the low-income sector were created 40 years ago. In the 1970s the market saw lots of developments in group insurance to permit payment and distribution, in view of the low amounts of premiums.

Group policies in Brazil now have a wide range of covers: dental, life, unemployment, severance, funeral and household. For 85,000 small land-holdings, even snakebites and cell-phones are covered. The low-income sector also includes people who are construction workers. The PASI (Plan de asistencia social inmediata), based on a plan of the ILO, provides insurance to people who have never been insured, including maids and seamstresses.

There are 177 companies in Brazil. Over 30 million policies are in micro-insurance, with 20% of US\$ 20bn dollars in billings coming from microinsurance.

There are 80,000 unionised brokers in Brazil. In the 1960s they had to work together and be syndicated to confront the competition of banc-assurance as a new distribution channel. This, together with the presence in Brazil of the National School of Insurance, which ensures education of insurance professionals, makes it easy to train the future channels of distribution in a professional manner. Therefore, having low-cost channels of distribution does not mean using inexperienced channels.

Also, it is important to realise that, in microinsurance, the traditional broker is just a finder, not a manager, but he or she has the training and the experience, knows the target market, speaks the clients' language and understands their needs.

A big distributor of microinsurance in Brazil is Granada Co-op. In micro property insurance, controlling moral hazard is an issue, but, done through a co-op, moral hazard practically disappears. The Law of Saint Thomas – believe and then you see – often applies to the capacity of co-ops and other informal providers. You have to first believe in the co-op, mutual or other community-based organisation, and then make it happen.

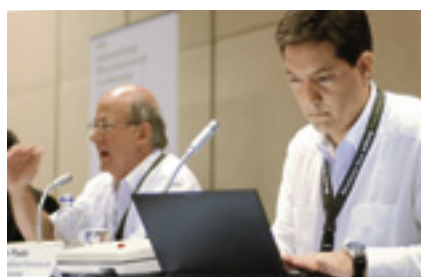
Taking advantage of cooperatives and other existing groups which know and are known by their communities as a formal link is particularly important in agricultural insurance, where the moral hazard is high and which should be sold through intermediaries, never direct to the client.

Brazil's experience shows that the most important obstacles for micro-insurance are inside the insurance market, not with the clients.

- A lack of staff with experience in providing services to the poor is compounded by a lack of an actuarial basis and data about the frequency of occurrences, etc.
- Some insurance companies are extremely conservative and prefer to provide their services in the traditional market instead of starting a new and risky business.
- Distribution cost-effectiveness is a big issue, and there is a need to implement tax benefits in order to attract mainstream companies to microinsurance.

7 — Left to right:  
Roberto Junguito, FASECOLDA,  
Colombia; César Prado,  
Superintendencia Financiera de  
Colombia.

8 — Left to right:  
Jorge Claude, FIDES, Chile; Antonio  
Cássio Dos Santos, FenaPrevi, Brazil;  
Mark Wenner, IDB, USA.



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## Plenary 1

### Round table

#### Box 2

#### Challenges in Latin America

- Lack of knowledge about insurance and its benefits; making it simple and easy to understand
- Linking cost to clients' income
- Offering covers for perils of interest to the poorest sectors: unemployment, health, theft
- Lack of statistical data, actuaries and other professionals
- Need to formalise, regulate and supervise unlicensed institutions providing microinsurance or, at least, support them with an insurance or reinsurance company
- Curbs on money-laundering

#### Colombia

In Colombia, 40% of all companies have microinsurance products, with three million insured risks. In premium terms the development is not very significant – the volume is only 1% – but bear in mind the coverage, which ranges from 50 cents to US\$ 3.

Microinsurance has no regulation obstacles in Colombia. However, FASECOLDA had organised a committee integrated by insurance companies to carry out a tracking of microinsurance. Coverage for the poor may not require special treatment in regulations, but different tax treatment (e.g. removing the value-added tax from life policies) benefits the low-income sector.

The focus of the entire regulation system has to be the customer. Protect the customer as well as maintaining the solvency of the market. It is dangerous to do micro life insurance without appropriate solvency margins. The money-laundering risk also needs to be kept in mind.

In Colombia, a single point of formal registration for microinsurers is being considered. Without regulation of informal microinsurers, formal insurers, which have to keep regulatory reserves, face unfair competition from microinsurers, that may not be required even to have equity reserves.

Like other countries exposed to large catastrophes, Colombia is interested in extending microinsurance. It has found mass distribution channels to be effective. For example, its main channels for microinsurance are public utilities and bancassurance that is linked to house loans for poor people. A challenge is how to reconcile the need of insureds for a claims service with the use of mass distribution channels. MFIs and NGOs in Colombia are used mainly for distribution as joint venture contacts, and by contrast to Brazil their importance is relative. And there is no evidence of selling microinsurance in small shops in poor neighbourhoods; it is difficult to make a single register.

There is a state system for health insurance, including cover for the poor. Despite this there is a strong demand for additional protection. The current system comprises SISBEN (Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales) and Regimen Contributivo. SISBEN, which covers the poorest sectors, is free, so it is not insurance in the strict sense. The other is provided after the payment of a premium.

Two of the most complex policies are health and agricultural insurance. And in these lines in particular, the largest obstacle for microinsurance in Latin America (and other regions) is the lack of actuarial experience for the low-income sector. The mortality and morbidity experience of the microinsurance sector is not the same as for the middle class.

Mainstream companies are distant socially from the low-income sector, with cultural barriers and resistance. In most companies the evolution of the microinsurance sector is led by younger middle management, who may be more receptive to social objectives such as alleviating poverty.

Other challenges are: lack of education and training; the need for shorter, one- or two-page, simple contracts in clear language (and the local dialect where called for); and the minimum capital requirement being too high for entrants.

## Mexico

In Mexico, with a developed micro-finance industry and Latin America's second-largest population, micro-insurance is developing rapidly.

A system recently introduced has been successful. It is called the Programa Nacional de Financiamiento al Microempresario (PRONAFIM). This is the Mexican government's US\$ 300m endowment fund established to provide loans to microentrepreneurs. About 150 MFIs make these unsecured loans to over 1.5 million individuals and small businesses. Insurance, savings and remittances are among additional services and products designed more recently by a number of these MFIs.

Two leaders are distributing micro-insurance through retail groups: Grupo Elektra's Seguros Azteca and Citigroup's local insurance unit Seguros Banamex. There is no selective underwriting on the basis of health, age, or medical history – but actuarial tables specifically developed for the low-income sector are used to balance premiums and claims.

Seguros Banamex has been working with Banco Compartamos, Mexico's largest MFI. The coverage, which has reached more than 700,000 clients, is worth US\$ 1,400 and has been offered with Compartamos loans since mid-2005. The group has also launched a pilot programme to purchase additional coverage, in increments of US\$ 1,400, for US\$ 1–7 a month.

Seguros Azteca offers microinsurance policies that cost from 50 cents to US\$ 3 a week for clients who take out loans at Banco Azteca or buy products on credit at Elektra electronic stores, where branches of the bank are housed. When clients take out a personal loan with the bank they are also offered the option of buying a life insurance policy. About 12 million low-income people have been insured since Seguros Azteca was launched four years ago. Seguros Azteca has also exported its microinsurance products to other Latin American countries through joint ventures with insurance companies in Guatemala, Honduras, El Salvador, Panama and Peru. Participating insurers have sold several hundred thousand policies.

Seguros Azteca also targets the estimated ten million Mexicans living in the United States, who send home more than US\$ 20bn in remittances every year. The product provides that, in the event of a policyholder's death in the US, his or her family in Mexico would continue to receive during one, two, or three years the same amount of remittances it received when that person was alive.

Mexico also serves as an example of microinsurance collaboration between public and private sectors: an agreement with the Asociación Mexicana de Seguros places public authorities in charge of education.

## Box 3

### Why Latin America may be the world's biggest microinsurance market

- China and India have 1.8 billion people at the bottom of the pyramid, compared to 300 million in Latin America. However, if you take into account their income, in India and China, it is around US\$ 200bn and, in Latin America, it is US\$ 300bn.
- According to a study of the Austral University (Argentina), the low-income sectors are different; in Latin America, the bottom of the pyramid is "aspirational," not "survivor," and has proportionately greater insurance prospects.
- Low-income sectors in India and China tend to be situated in rural areas, in Latin America in urban areas.
- Insurance markets in Latin America go back a hundred years and have a good foundation for further development. Collection systems there are more sophisticated.
- The role of the state is more important in Asian countries because they are more exposed to natural disasters. In Latin America, and particularly Colombia, microinsurance is developing because of the interest of the private sector as a business, not charity.
- In Latin America, there are no foreign investment obstacles; in India and China the state decides which sector will receive foreign investment.

## Plenary 2

## Strategic approaches to capacity building

Capacity building takes place at all levels of the market: micro, meso and macro. From the microinsurance capacity-building perspective, the micro level comprises consumers as well as their organisations and individual insurers, while the meso level includes microinsurers' federations and technical-assistance providers, and the macro level has policymakers, regulators and supervisors.

**At the micro level, financial literacy and customer education are in great demand. Strengthening microinsurance units and other delivery channels through an advisory service on social and performance indicators will help ensure that their financial operations are sound and products provide the poor with real value.**

At the meso level, there is a need for strong associations, local technical-assistance providers and international experts. Developing individual expertise is fine but it is not a sustainable path. Institutions need to be developed, among them microinsurance networks and federations. Training institutions, including tool development, must be developed and strengthened. Furthermore, the insurance industry should place greater emphasis on developing microinsurers' actuarial and technical insurance expertise and provide training – in-house as well as to microinsurance agents such as NGOs and MFIs.

The focus should be on the capacity and training facilities of the insurance industry to develop actuarial and other insurance expertise.

At the macro level, dialogue structures and programmes for regulatory and supervisory bodies, ministry of finance and other ministries are needed to create a conducive legal framework for microinsurance regulation and supervision. Regular interaction with the International Association of Insurance Supervisors (IAIS) would encourage reforms and permit the integration of microinsurance into national policies. And a south-south exchange would create enhanced consumer protection as well as conditions for better customer service.

Capacity building is a change process that requires continuous efforts and has to be steered, and this must include monitoring the impact of training. However, the key is ownership and participation by the local partners – they have to take responsibility.

### MIA

The Micro Insurance Academy (MIA) is a technical-assistance provider in South Asia, focusing on the more difficult areas such as community-based health. The MIA works with communities in the informal sector on sustainable solutions based on three key factors: trust, choice and value for money. Choice, particularly, is crucial when "I am too poor to pay".

MIA's capacity-building strategy involves helping communities develop and manage their plan from the ground up. It helps them to

- understand the value proposition of insurance;
- decide what approach is right for the group;
- design their own microinsurance scheme (using a game called CHAT or Choosing a Health Plan All Together);
- create a viable ground structure;
- arrive at value for money on the group's terms.

For a community-based micro health insurance scheme, sustainability is difficult because of its small size and catastrophe risks. The MIA works with communities on reinsurance for additional risks, helping negotiate with insurers and reinsurers. To build capacity, the MIA also runs the only reinsurance school for microinsurance schemes.



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9 — Erick Schulze, Centro AFIN, Bolivia.

10 — Iddo Dror, Micro Insurance Academy, India.

11 — Arup Chatterjee, the IAIS, Switzerland.

### Centro AFIN

Microinsurance schemes based on the partner-agent model have many advantages over other institutional models, but could still be vulnerable to shortage of capacity in both participating entities. The insurance company may lack incisive knowledge of the target sector and of perils specifically needed, and may therefore have little motivation to design a custom-made product, while the partner institution may not know how to determine risks that its programme and clients face and how to go about choosing an appropriate insurer.

An adviser can play a role in overcoming these weaknesses, as demonstrated by Centro AFIN, a training-service provider based in La Paz, Bolivia, that works in a number of Latin American countries. Two cases in point are its work with MFIs in developing suitable insurance schemes for microentrepreneurs. One, a group life savings product without any exclusions, was the first of its kind in Bolivia.

In one case, CIDRE, a microfinance institution that works in rural areas in Bolivia, and CONSESO brokers formed an alliance to develop a microinsurance product. In the other alliance, PRODEM, the largest private fund in Bolivia with more than 200,000 clients and 101 branches, hired the adviser to find out, through focus-group research, how to develop a microinsurance product.

In both cases, Centro AFIN as an adviser helped its clients build capacity for microinsurance by “correcting the asymmetry of information existing between MFI and insurance company”. Specifically, its market research, planning and development activities were carried out to

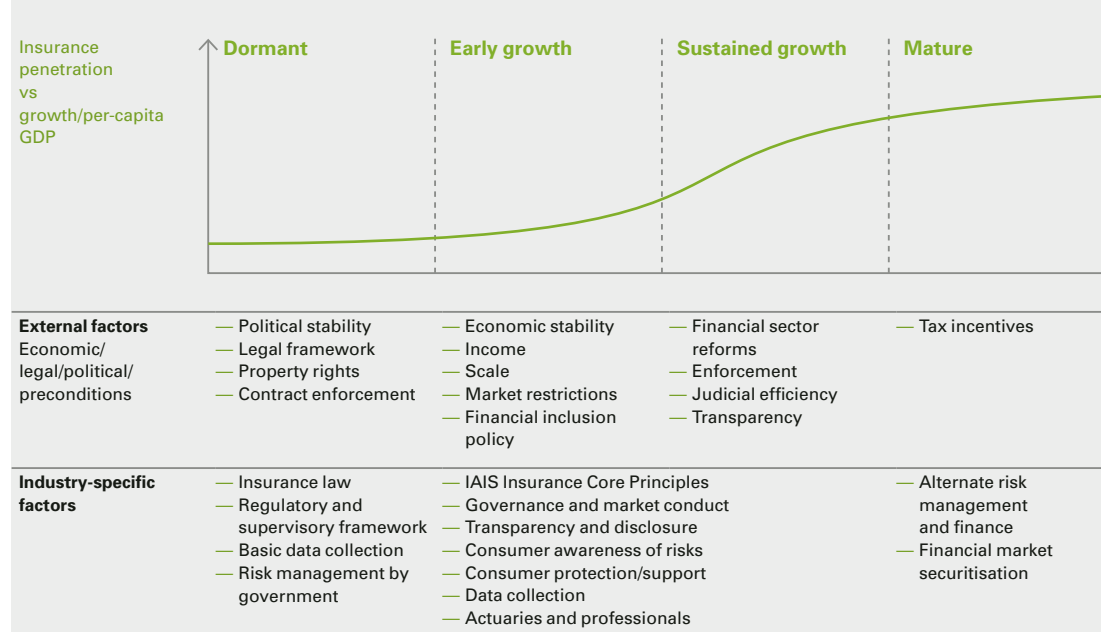
- determine the risks that the population is exposed to;
- design the most adequate products;
- collaborate in the selection of the best market option;
- elaborate performance indicators;
- train MFIs in microinsurance;
- promote microinsurance within MFIs;
- build a balanced alliance between MFI and insurer.

### IAIS

The insurance market development follows an S curve (see figure 2). Because of the influence of both internal and external factors, capacity building in each stage – dormancy, early growth, sustained growth and maturity – poses different challenges for the insurance market.

Capacity building for the various stakeholders in the insurance market should also take into consideration the needs of policymakers, regulators and supervisors. Informed and well-trained supervisors have a crucial role not only for the development of a sound legal and regulatory framework consistent with international standards, which includes the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS), but also for discharging their supervisory responsibilities efficiently and effectively.

Figure 2  
Different stages of development and capacity requirements



Source: Chatterjee, Arup. Presentation “IAIS’s approach to capacity building”. 4th International Microinsurance Conference 2008



## Plenary 2

### Strategic approaches to capacity building

#### Box 4

#### The IAIS perspective

Informed and well-trained supervisors have a crucial role not only for the development of a sound legal and regulatory framework consistent with IAIS Insurance Core Principles (ICPs) and standards, but also for discharging their supervisory responsibilities efficiently and effectively.

Regulation needs to be justifiable, appropriate and proportionate to the problem it is seeking to address.

Regulators need to ensure that regulatory responses to market failure are not overly intrusive, bureaucratic, or counter-productive in application.

Regulators must strive to ensure that community expectations about the adequacy, accessibility and security of financial institutions and financial products are met.

Source: Chatterjee, Arup. Presentation "IAIS's approach to capacity building". 4th International Microinsurance Conference 2008

A key IAIS capacity-building goal is the development of sound insurance markets. Many IAIS members from emerging-market jurisdictions view this role as also including promoting financial inclusion. They believe that promoting access to insurance should not only be on the regulators' agenda but also on the policymakers' agenda. This could involve facilitating access to insurance products/services by the poor, gathering information on and demonstrating application of specific schemes and developing insurance products for lower-income/rural sectors of the population.

Current IAIS capacity-building initiatives include a set of comprehensive learning modules for insurance supervisors, developed in cooperation with the World Bank, covering all 28 insurance core principles and including five case studies. Its proposed plan for a "learning transformation" involves on-line interactive courses, workshops and distant learning and a qualifications framework.

In collaboration with the Regulation, Supervision and Policy Issues Subgroup of the Microinsurance Network, the IAIS is generating knowledge on appropriate regulation and supervision of insurance markets that will extend access to insurance to strengthen policy and regulatory regimes.

The IAIS-Microinsurance Network Joint Working Group has also identified priority areas for future work, including

- the role that microinsurance can play in the development of essential insurance services for the low-income segment;
- how mutuals and cooperatives (that play a crucial role for risk mitigation of the poor) should be regulated and supervised;

- developing specific guidance on regulatory and supervisory topics which are important for microinsurance growth, for example risk-based supervision and emerging products such as weather and index-based insurance;
- relationships between social security interventions (government-subsidised) and the provision of market-based risk-mitigation products for low-income groups.

In the development of inclusive insurance markets, an ongoing challenge is to foster awareness of the role of regulation and supervision among practitioners and encourage them to promote awareness and understanding of insurance among the poor. For these efforts, it is important to keep in mind the difference between publicity and awareness. Occasionally, some insurers try to deliver financial education in publicity materials for products or services. This may blur the distinction between the sales information and the important financial literacy points, which may make it more difficult for consumers to evaluate products and determine whether the information is accurate and complete, whether the provider is unbiased or whether the information provided is clouded by potential financial gain.

In advising regulators and supervisors, the IAIS points out that customers around the world have traditionally demanded a relatively high degree of prudence and safety from financial institutions, adding: "Supervisors need to have a proper understanding of the risks in microinsurance so they can facilitate the development of the market for the next billion customers through a system of opportunity and not a system of obligation. This would be the best way to change this new mindset along with the stakeholders and other finance providers in order to create opportunities for the poor. It is never the risk that causes damage or creates opportunities, it is how we respond."

12 — Gabriele Ramm, Consultant to GTZ, Germany.

13 — Véronique Faber, ADA, Luxembourg.



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# Agenda

## Day 2 afternoon sessions 6 November 2008

Parallel sessions	Speakers	Facilitators
<b>Session 1</b> <b>Distribution</b>	<p><u>Victoria Eugenia Bejarano de la Torre</u>  MAPFRE Seguros generales de Colombia, Colombia  Public utility companies: Massive and efficient distribution channels of microinsurance products</p> <p><u>Ranjula Bali Swain</u>  Uppsala University, Sweden  Making microinsurance work: Multiple insurance products in Orissa's Milk Federation in India</p> <p><u>Isabel Cruz</u>  AMUCSS, Mexico  The rural social network of Mexico</p>	<p><u>Teresa Eugenia Prada González</u>  FMMB, Colombia</p>
<b>Session 2</b> <b>Role of reinsurance in promoting microinsurance</b>	<p><u>Hans Georg Radde</u>  Benfield Group, UK  Role of the reinsurance industry in the microinsurance product development in Latin America and the Caribbean</p> <p><u>Carmen Barboza</u>  Aseguradora Tajy, Paraguay  Overcoming the challenges in accessing reinsurance by pooling together – The Latin American Reinsurance Group</p> <p><u>Peter Waldmann</u>  Munich Re, Colombia  The role of reinsurance</p>	<p><u>Richard Leftley</u>  MicroEnsure, USA</p>
<b>Session 3</b> <b>Capacity-building role of actuaries in microinsurance</b>	<p>Facilitated discussion</p> <p><u>Peter Wrede</u>  The Aga Khan Agency for Microfinance, Switzerland</p> <p><u>François-Xavier Hay</u>  MACIF, France</p> <p><u>Denis Garand</u>  Consultant, Canada</p>	<p><u>Michael McCord</u>  MicroInsurance Centre, USA</p>
<b>Plenary 3</b> <b>Insurers going down-market</b>	<p><u>Pranav Prashad</u>  ICICI Lombard General Insurance Co. Ltd., India  Microinsurance: Providing risk-mitigation access through innovation in channels and products</p> <p><u>Gonzalo Alberto Pérez Rojas</u>  Inversura, Colombia  Microinsurance: An effective complement to microcredit solutions</p> <p><u>Olivier Barrau</u>  Alternative Insurance Company, Haiti  Credit/life insurance</p>	<p><u>Luis Huerta</u>  Seguros Argos, Mexico</p>

## Parallel session 1

## Distribution

This session presents three cases of success in distribution, particularly with individual policies, overcoming limitations in reaching the BoP (bottom of the pyramid) market, including cultural factors, lack of infrastructure and lack of knowledge of insurance.

**MAPFRE Seguros Generales**

**Number of people insured through microinsurance**

942,300

**Insured risks**

Funeral, life, accidents, household

**Premium range**

US\$ 3.50–9.50 per month

The low-income sector in the Latin American and Caribbean region encompasses some 360 million people. In Colombia, 87% of the households are poor and 57.6% are at the BoP. MAPFRE is committed to reaching this sector. Though only 8.4% of the Colombian population has insurance, utility services reach most households and there is a culture of paying utility bills. MAPFRE in Colombia made a successful alliance with the utility service company, CODENSA, serving 2.2 million customers. Through this alliance, MAPFRE distributes its insurance products to the low-income sector, and more than 300,000 families pay monthly insurance premiums with their electricity bill.

The model created between MAPFRE and CODENSA works because

**MAPFRE**

- designed a product for CODENSA's low-income clients;
- adjusted its advance technology to process microinsurance products;
- had the infrastructure and knowledge in insurance, while

**CODENSA**

- knew its low-income clients and their needs;
- managed economies of scale;
- had experience with marketing for low-income clients.

The MAPFRE-CODENSA alliance demonstrates that mass marketing and mass distribution of microinsurance can be efficient and effective if insurance is added on to an essential service provided by an organisation serving as the distribution channel.

**OMFED**

**Number of people insured through microinsurance**

14,800

**Insured risks**

Group savings life, cattle and calf insurance

**Premium range**

US\$ 5.10–10.30 (life) per year

US\$ 0.20–2.00 (cattle) per month

OMFED, the Orissa State Cooperative Milk Producers Federation, is a state cooperative delivering microinsurance. The organisation has several unions as members, representing some 236,000 milk producers, and manages dairies and cattle-raising farms.

Five years ago OMFED started distributing microinsurance to members in partnership with insurers. Products offered now include group savings life insurance in two amounts, with an annual premium of US\$ 5.10 or 10.30, underwritten by India's government-owned Life Insurance Corporation; a similar custom-tailored group plan for milk retailers; cattle insurance for members of a district union offered by United India Insurance Company for an annual premium of US\$ 10; and an experimental calf insurance with the premium ranging from US\$ 0.20–2.00.

For cooperative members, insurance services through OMFED have been cost-effective. Collection of information and premiums at the federation level offers the economies of scale, and management of claims has proved efficient.



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14 — Teresa Eugenia Prada González, FMFB, Colombia.

15 — Left to right: Ranjula Bali Swain, Uppsala University, Sweden; Isabel Cruz, AMUCSS, Mexico; Victoria Eugenia Bejarano de la Torre, MAPFRE, Colombia.

**AMUCSS**

**Number of people insured through microinsurance**  
42,700

**Insured risks**

Funeral, savings and loan

**Premium range**

US\$ 2.50–50.00 per year

In Mexico, there is a “basement” rather than a bottom of the pyramid: these are the rural poor who lack access to financial services. The great challenge for Mexico has been to deliver financial services to more than ten million people who live in rural indigenous communities in extreme poverty.

The AMUCSS (Asociación Mexicana de Uniones de Crédito del Sector Social) – formed by four peasants’ credit unions, seven rural microbank networks, three savings and credit cooperatives and some rural financial institutions – in 2000 started working on savings schemes that could be used for lending to members. It was from this project that microinsurance developed. The product offered has benefit options from US\$ 500 (annual premium 2.50) to 10,000 (annual premium 50), used mainly to cover funeral expenses.

Funerals are one of the most special ceremonies for families and communities in Mexico and can be expensive. Distribution processes were designed by the AMUCSS, as the umbrella for microbanks, and a broker, Grupo SEP, that offered technical expertise to train staff and deal with the insurer, Zurich. Systems and procedures had to be adapted to clients in areas lacking even minimum infrastructure (e.g. electricity, telephone and roads). The policyholders are spread in 199 municipalities, 79% with high levels of poverty. The main channels of distribution are rural microbanks (43% of policies) and savings and credit cooperatives (51%). Most members (62%) are women; men migrate.

The target population has an annual income of US\$ 1,000–3,000, in indigenous communities where 12 native languages are still spoken. The AMUCSS is building a culture of risk prevention. It would like to reach 100,000 customers in the next two years, offer financial education in local languages and institutionalise and expand the rural microinsurance network, Red Solidaria de Micro-seguros. Educating and training the staff of this rural network and substituting the existing broker with one that could provide a wider range of professional assistance are two of the steps the AMUCSS plans to take to achieve these objectives.

**Lessons learnt**

A distribution channel should overcome limitations in reaching the BoP market, such as cultural factors, lack of infrastructure and lack of insurance knowledge.

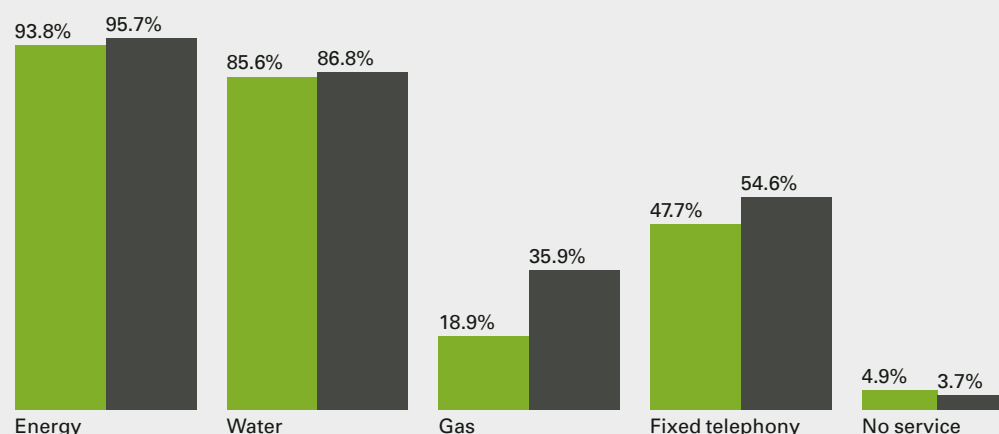
A strategic alliance should create value for both the insurer (geographic and social proximity to the target market and trust of clients) and partner institution (technical expertise, operational management and risk control).

A microinsurance product cannot be kept affordable for clients without a cost-effective distribution system adapted to their circumstances.

Figure 3

**Population with access to different public services in Colombia**

● 1997 ● 2003



## Parallel session 2

## Role of reinsurance in promoting microinsurance

Experience and case studies show that microinsurers are likely to need help from reinsurance companies in designing and developing new products suited to the low-income sector, in pooling capacity regionally to facilitate access to cover and in changing the role of the reinsurance broker to that of a finder to ease the cost burden of placing reinsurance.

### Consultative microreinsurance

Multinational reinsurance companies tend to work with standard products, not all of which may be suitable for microinsurance. What is needed is not just capacity but know-how to design new products for the potential market. Smaller, medium-sized local insurance companies do not have the databases and product-development staff that their multinational competitors can use, so involving reinsurers in meeting that need is of special interest to them.

The lack of adequate resources to design products is more acute for microinsurers. One solution may be a "consultative microreinsurance approach," whereby the reinsurer is directly involved in the design of a suitable new product, assisting the insurer with a business plan and optimal framework. This way reinsurance assumes a large part of the innovation risk, and reinsurance transactions form part of the payment for consultancy. And it should be possible to cover not only the usual risks – life and disasters – but the bigger need, health.

The approach would call for flexible conditions of the insurance policy, simplicity of payment (not just one-year but shorter terms) and elimination of any underwriting and loss adjustment entailing higher costs. Its added value would be transfer of international know-how and systematic business development.

### The Latin American Reinsurance Group

For a reinsurer, risk-assessment and other transaction costs make microinsurance too small to be reinsured on a profitable or even break-even basis. That is particularly true when there is a hardening of the reinsurance market.

Five years ago, several small insurers in Latin America with a low volume of business found it difficult to find reinsurers interested in providing cover. Some of them that are members of International Cooperative and Mutual Insurance Federation (ICMIF) overcame challenges of accessing reinsurance by pooling together as the LARG, the Latin American Reinsurance Group. The pooling allows them to participate by quota-share treaty, cover catastrophic risks, access technical support to update mortality tables and avoid high fluctuations in the cost of cover.

The group started in 2004 with five insurers – in Guatemala, the Dominican Republic, Honduras, Panama and El Salvador. Since then six more cooperative insurers have joined the group – from Paraguay, Nicaragua, Venezuela, Costa Rica and Mexico.

16 — Left to right:  
Richard Leftley, MicroEnsure,  
USA; Peter Waldmann, Munich Re,  
Colombia; Carmen Barboza,  
Aseguradora Tajy, Paraguay;  
Hans Georg Radde, Benfield  
Group, UK.

17 — Participants in parallel  
session 2 working on lessons  
learnt.



16



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### Changing the chain value

Another proposed approach, combining profitable business with corporate social responsibility, entails changing the chain of value in reinsurance. In the traditional scheme, the sequence is: reinsurance – reinsurance broker – insurance company – insurance broker – client. For microinsurance, the proposed sequence would be: reinsurance – insurance company – MFI – alternative channel of distribution – client.

This would change the role of the reinsurance broker to that of a finder and impose some preconditions on the reinsurer, including a high capacity to absorb catastrophes, provide long-term investment and know-how, and meet development costs to cover unattended needs until a critical mass is reached.

The reinsurance role would then focus on a solution to the problems of microinsurance such as the higher vulnerability of clients (new models for prices are needed), natural disasters (accumulation and diversification of catastrophic risks) and moral hazard (cultural and social factors).

### Lessons learnt

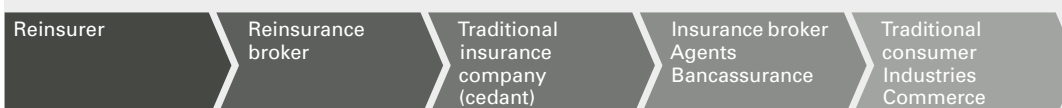
A consultative microreinsurance approach, enabling the reinsurer to work with the insurer to evaluate risks and design cover, would produce a custom-made new product with minimal innovation cost.

Individual microinsurers with a low volume of business can pool together to negotiate suitable terms and covers with reinsurers.

Microinsurance calls for a new value chain for reinsurance, changing the role of the reinsurance broker and requiring a higher capacity on the part of the reinsurer to absorb new risks and development costs.

**Figure 4**  
**Relationship reinsurance-microinsurance**  
Change in value chain (from the reinsurer's perspective)

**Traditional (from the reinsurer's perspective)**  
Characteristics: Short-term and opportunistic



**In microinsurance (from the reinsurance perspective) today**  
Characteristics: Long-term and strategic



<sup>1</sup> Large multinationals or in collaboration with reinsurer ↔ aspect of experience and resources

<sup>2</sup> Small specialist banks, NGOs, cooperatives and/or large traditional banks



## Parallel session 3

# Capacity-building role of actuaries in microinsurance

## Facilitated discussion

When dealing with microinsurance, actuaries have to be more creative and communicative than in a traditional insurance setting. In this discussion, points noted for their capacity-building role fell into these two categories.

### Creativity

The microinsurance business, often involving popularly based organisations and rural communities, does not require actuaries to perform the same role they may have in mainstream insurance, dealing with statistics and projections for a variety of complex insurance and annuity products and assessing how changes in regulation and tax regimes affect them. The low-income clients live in a totally different universe, requiring simple, basic covers.

A microinsurance programme in an informal or greenfield setting may need the actuary involved to work with local staff to help clients understand what risk is all about. Insurance puts a number to a risk, and the poor need help to come to grips with how much they will need to deal with unexpected perils.

Microinsurance involves getting back to the basics, and actuaries need to change conventional processes to fit the micro situation. To price the product they should move out of their comfort zones. They cannot always consult with reinsurers and can seldom add substantial safety margins.

Pricing has to be much more experimental in microinsurance. Actuaries should not take high-end-sector products and sell them to the low-end sectors. They need to start with a clean slate for a new microinsurance area. Mortality and morbidity levels for microinsurance clients are usually higher than other sectors', but this can be compensated by distribution methods reaching a greater percentage of the target population. And one size does not fit all when it comes to the poor. MFI clients are not the poorest of the poor; a typical MFI client may be a woman in business for herself.

Data should be distinguished between urban and rural sectors. In Latin America's urban centres, for example, young 17–21-year-olds are dying at a much higher rate than rural youth.

### Communication

Like mainstream insurance, microinsurance requires actuaries to communicate with practitioners and other insurance professionals as well as other actuaries. But often an actuary's work with a microinsurer calls for direct communication with clients, too, to really understand their concerns and perspective and respond to them in the design and pricing of a product.

In the rural Sindh province of Pakistan, for example, the saying is that "going to a hospital will kill you." Experts from an international institution promoting healthcare and insurance in the area would disregard such folklore at the programme's peril. Elsewhere, a question in the forefront of clients' minds is usually: "If I don't get sick do I get my money back?" Dealing with such questions in a meaningful way requires more than just actuarial science, and means being able to address some fundamentals: What is the intent in setting up a microinsurance operation? Is it to reduce the poor's vulnerability alone? Or is it to make a profit too? And would it increase participation by clients if there were an allowance for some profit-sharing?

In the process, actuaries need to relearn that, albeit a business in essence, microinsurance is an important public service – one that may well call for assigning an actuarial value to its social component.

As for communication among actuaries themselves, nowhere is it as important as in microinsurance.

A widely held concern is that, in this field, there is a serious lack of data and statistical experience. Actuaries can help build generally acceptable tables by sharing the data on microinsurance. But where to get the data that one may eventually share with others is a challenge in itself. In a greenfield operation, an actuary has to learn to deal with less-than-perfect data available, do a baseline survey, accept the group's diversity and inject some mutuality and pooling of risks, and then carefully monitor the experience, portfolio and results.

Getting more and more practitioners to contribute to aggregate data would be important but requires a note of caution. The data they submit may be meaningless if they reflect moral hazard: MFI clients able to buy forged death certificates, for example, to make a claim on credit life.

### Barefoot actuaries

There are some 47,000 actuaries in the world, out of which about 25,000 are in the United States and a similar concentration in other developed countries. Few are based in poorer countries, where microinsurance has a huge potential. In Haiti, for example, there are no actuaries – proving that an insurance company can be run without actuaries, though data would be needed from other sources.

The International Association of Actuaries is putting together a list of those involved in microinsurance, and is also committed to developing a set of standards and norms. Adapted training is needed for actuaries in microinsurance. The most prominent role of actuaries often is to sign off the appropriateness of reserves, and that is of little importance in microinsurance not involving long-term business. If a microinsurer does not offer long-term products and just provides covers for shorter terms such as one year, only an actuary-in-the-making is needed with basic skills to work with the data. As they say, "It's better to have a not-fully-qualified doctor than no doctor at all." In remote villages and poorer communities, where microinsurance is needed most, a "barefoot" actuary would do.

Those aspiring to become actuaries now aim at two kinds of status as they complete professional courses: full and associate. Most do so while employed at an insurance company. If microinsurance continues to develop as expected, calling for distinct skills, there should be a third category of barefoot actuaries.

### Lessons learnt

In microinsurance, actuaries need to be creative and communicative and go back to the basics of insurance.

Mortality and morbidity in low-income clients are usually higher than in high-end sectors, but that is offset with a mass distribution that lowers administration and distribution expenses dramatically.

Actuaries should build on available data and monitor and share experience.

The social component of microinsurance may require an actuarial value and, in addition to full and associate actuaries, a third category of barefoot actuaries is likely to be in demand as insurance for the poor expands.



18 — Left to right: Peter Wrede, the Aga Khan Agency for Microfinance, Switzerland; François-Xavier Hay, MACIF, France; Denis Garand, Consultant, Canada; Michael McCord, Microinsurance Centre, USA.

## Plenary 3

## Insurers going down-market

Going down-market to serve the low-income sector presents challenges mainstream insurers do not normally face when entering a new market niche. Three cases reviewed in this session – from India, Colombia and Haiti – illustrate some of the strategic approaches insurers need to adopt.

### ICICI

**Number of people insured through microinsurance**  
8,000,000

### Insured risks

Health, personal, accident, cattle, index-based weather insurance

### Premium range

US\$ 1.00–8.00 per year  
(government subsidies up to US\$ 10)

ICICI Lombard, set up when the private sector in India was opened in 2000, sold the first policy in August 2001 and has since become one of the largest companies offering a variety of microinsurance products. It has a unit focusing on rural microinsurance.

Rural India accounts for 70% of India's population scattered across 640,000 villages and lacks organised credit, financial services and infrastructure. Around 300 million people or about 60 million households are living below the poverty line. The low-income sector depends for income on agriculture, microenterprise, paid labour and animal husbandry. Risks in these activities are related to weather, asset and wages loss, and death of animals.

To succeed in rural markets the key factors are: a small bundle of innovative products aligned with rural needs and perception; technology-driven distribution using a multi-channel delivery system; and after-sales service making use of existing channels in the community. Underpinning all three is the mantra “stick to the basics”.

Livelihood from agriculture in India, as elsewhere, is closely related to weather. Some 60% of net sown area is dependent on rains and 40% on irrigation, mostly from non-perennial sources. ICICI Lombard introduced weather insurance in collaboration with the World Bank. Weighted weather indices include deficit/excess rainfall and extreme fluctuations in temperature and relative humidity. Through a tie-up with private organisations, 138 block-level automated weather stations have been installed to supplement the India Meteorological Department's district-level weather stations.

For cattle insurance, the company works closely with lending institutions to align lending and insurable criteria. It uses dairy associations and local veterinarians for tagging purposes, and has a built-in “cooling time” to counter anti-selection.

Increasingly, ICICI Lombard's multi-channel distribution model is enabling the use of not only smart cards and mobile phones, but also the e-kiosks that government is setting up – one per six villages – to promote the use of technology in rural areas. Besides e-governance, the rural kiosks serve as good points of sale for insurance and sites for rural camps for customer interaction.

### Box 5

#### Stick to the basics: A mantra for success

- Availability of relevant and fairly priced products
- Establishment of cost-effective distribution
- Easy accessibility and quality service
- Focused approach along with appropriate regulation will help to build a model that is viable, sustainable and scalable

Source: Prashad, Pranav. Presentation “Providing access to risk mitigation through innovation in channels and products”. 4th International Microinsurance Conference 2008

The company's after-sales service focuses on alliance with credible existing channels in the community and simple, predefined processes. There is a local contact for the first point of claim reporting, and reliance on the community for preventing fraud and checking moral hazard.

To keep healthcare costs in check, the company is setting up 725 outpatient centres to provide neighbourhood service and avoid hospitalisation.



19 — Left to right:  
Olivier Barrau, AIC, Haiti;  
Gonzalo Alberto Pérez Rojas,  
Inversura, Colombia; Pranav  
Prashad, ICICI Lombard  
General Insurance, India;  
Luis Huerta, Seguros Argos,  
Mexico.

**Inversura****Number of people insured through microinsurance**

640,600 (life); 4,700 (property)

**Insured risks**

Life, individual and credit

**Premium range**

US\$ 0.8 (life); US\$ 0.6 (property) per month

In Colombia, the experience of Suramericana de Seguros's joint venture, Inversura, with Fundación Mundial de la Mujer Bucaramanga (FMMB) and Munich Re shows that making microinsurance tangible for the client (*tangibilización*) is a good way of building business.

Inversura does what some might consider a heresy: promote claims. Combined with another deliverable, education, it has helped the microinsurer spread credit, life and related coverages to 155,000 clients, some in remote areas of the country, in just two years. Of these, 96% are in the lowest three levels of income and 72% are women.

The insurer's education efforts are centred on prevention, as the clients lack any other opportunity to learn about risk management. Corporate social responsibility is a centrepiece of Inversura's strategy as it continues to seek a balance between profitability, sustainability and social impact.

**AIC****Number of people insured through microinsurance**

55,000 (81,000 loans)

**Insured risks**

Funeral indemnity, balance of loans

**Premium range**

US\$ 1.20–1.40 (0.8% of face amount) per month

In Haiti, a country of eight million people where the mainstream insurance market reaches only 250,000–300,000 clients, microinsurance has a huge potential. 30% of the GDP comes from overseas remittances, 80% of the economy is in the informal sector and 76% of the people live on less than US\$ 2 a day. Funeral costs are 11 times the average monthly income, and interest rates for microcredits are around 50% per year.

Alternative Insurance Company (AIC), set up in 2001, partnered with the country's largest MFI, Fonkoze, in 2006 to provide credit life insurance to its clients. It now covers some 55,000 borrowers and is signing a similar agreement with the second largest MFI, SOGESOL. The company believes microcredit can be counterproductive if not coupled with microinsurance.

AIC and its MFI partners extend the coverage periods to help with renewals. Contrary to banks, they provide loan and insurance documents in the vernacular, and the policy has no exclusions, not even HIV/AIDS.

At the outset, AIC created a department handling only microinsurance and invested in software to manage the volume of transactions. Overall, AIC considers a win-win approach to benefit the client, MFI and insurer a key factor to success.

**Lessons learnt**

- Offer innovative products in line with clients' needs.
- Use technology and multiple channels to interact with clients.
- Reliable, tested communication systems in a community can enhance service.
- Look for ways of making insurance tangible for low-income clients.
- Set up a unit to handle microinsurance exclusively.



Successful microinsurance products must be “suave”:

**S**imple,  
**U**nderstandable,  
**A**ccessible,  
**V**aluable,  
**E**fficient.

Michael McCord  
President, MicroInsurance Centre

20, 21, 22 — Active exchange with other practitioners: an integral part of the international microinsurance conference.

23 — Left to right: Roberto Junguito, FASECOLDA, Colombia; Kim Staking, Colorado State University, USA.

24 — Plenary 1 opens the discussion of the experience with microinsurance in Latin America.



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# Agenda

## Day 3 morning sessions 7 November 2008

Plenary 4	Speakers	Facilitators
Technology	<p><u>Eric Gerelle</u> IBEX Project Services, Switzerland Introduction</p> <p><u>Michiel Berende</u> Consultant, the Netherlands The use of technology in microinsurance: Presentation of a technology stocktaking study and round table discussion on experiences in technology</p>	<p><u>François-Xavier Hay</u> MACIF, France</p>
Parallel sessions		
Session 4 Linking social protection schemes with microinsurance	<p><u>Barbara Magnoni</u> EA Consultants, USA Increasing enrolment of the informal sector in social health insurance through public/private partnerships: Experiences from Nicaragua and the Philippines</p> <p><u>Brenda Rial</u> América Cooperativa y Mutual – ACYM, Uruguay The design and implementation of an integrated national health system in Uruguay</p> <p><u>Valérie Schmitt-Diabate</u> ILO, Switzerland Linkages between statutory social security schemes and community-based social protection mechanisms</p>	<p><u>Christian Jacquier</u> ILO, Switzerland</p>
Session 5 New issues in microinsurance policy	<p><u>J. D. von Pischke</u> Frontier Finance International, USA Should poor people in developing countries make savings for the long term? A concept paper and research proposal</p> <p><u>Doubell Chamberlain</u> Cenfri, South Africa Policy issues for mutuals</p> <p><u>Coimbatore Subramanian Ramanathan</u> World Bank, USA Insurance and conditional cash transfers (CCTs) – Covering risks to enable asset accumulation by the poor</p>	<p><u>Brigitte Klein</u> GTZ, Germany</p>
Session 6 Capacity building for financial literacy	<p><u>Alejandra Díaz</u> FASECOLDA, Colombia <u>Monique Cohen</u> Microfinance Opportunities, USA Financial education for microinsurance</p> <p><u>Michael McCann</u> Mutual &amp; Federal, South Africa Microinsurance and the link with consumer financial literacy</p> <p><u>Steve Boucher</u> University of California, Davis, USA An educational outreach strategy for area yield insurance: Lessons from a pilot programme in Peru</p>	<p><u>Michal Matul</u> Microinsurance Innovation Facility– ILO, Switzerland</p>

## Plenary 4

## Technology

Microinsurance is a process-driven business, not a technology-driven business. Information is essential to business and technology supports information processing, but it amplifies both good and bad business practices, and success depends on how technology is used.

Practitioners should, therefore, think about the business process first, develop a business framework to position technology and then the systems architecture to determine what technology should be used. It is not useful to think about whether one can use mobile phones, etc. One should think about the business process and the steps involved and then see what kind of technology would help achieve the objectives.

These steps may include a profit-sharing protocol, as microinsurers, more so than mainstream insurers, need to balance the financial and social bottom lines.

When applying technology, they should eliminate some steps that may not, or no longer, be needed from the client's perspective – instead of simply automating a manual process. They should seek efficiency not for efficiency's sake, but to allow them to attend to clients for business growth. Technology should support, not impede, growth as the business develops.

A stocktaking study of the use of technology in microinsurance shows that practitioners are not using information effectively "at the back end of the back end" – for data analysis and processing. This step – involving aggregating and analysing products and portfolios, calculating reinsurance and determining indicators – improves access to microinsurance and helps meet growing demand.

The study also shows that, surprisingly, only 10% of microinsurers are using a system borrowed or adapted from another microinsurer or financial services organisation. Smaller systems are more expensive in terms of cost per customer, and the point to ponder is whether it is so difficult to exchange system software?

Almost 50% of the microinsurance systems are **low-end**, that is, built in-house mainly for transaction processing. Some 40% are **mid-range** – modular systems including customer interface – produced with help from a technology provider. Data analysis and processing are usually included only in **high-end** systems – hosted platforms commercially provided as SaaS, software as a service.

Microinsurers often go to technology providers without knowing what they want; it is like building a house without a plan and not knowing even the number of rooms it should have. Others are spending a lot of resources to develop systems themselves, whereas they could obtain software from microinsurers elsewhere and attend to more important issues.



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25 — Eric Gerelle, IBEX Project Services, Switzerland.

26 — Michiel Berende, Consultant, the Netherlands.

27 — Front left to right: Ramakrishnan Devaprakash, CARE, India, Francis Sommerwell, Microcare, Uganda, and Olivier Barrau, AIC, Haiti, provided their feedback on the findings of the technology study.

Sharing information and resources in a technology outreach is one of three major recommendations of the study. The outreach would

- allow microinsurance practitioners to learn about the possible technologies and access implementation support resources;
- create a network of providers and consultants to help in technology-project implementation;
- use web-based applications to collect and process data from providers;
- be accessible through various microinsurance websites linked to a single component and resource database.

The study also recommends microinsurance data and workflow standardisation, to lower administrative costs through larger insurance pools and help cope with market expansion. Though in a global setting over time the initial duplication of effort becomes a part of a natural process of standardisation, donors should coordinate their support so that wheels are not reinvented in various parts of the world.

The study's third recommendation is to pursue a microinsurance repository to serve as a hub for exchanging and linking data and as a foundation for value-added applications.

### Lessons learnt

Think about business processes first, then choose technology to achieve objectives.

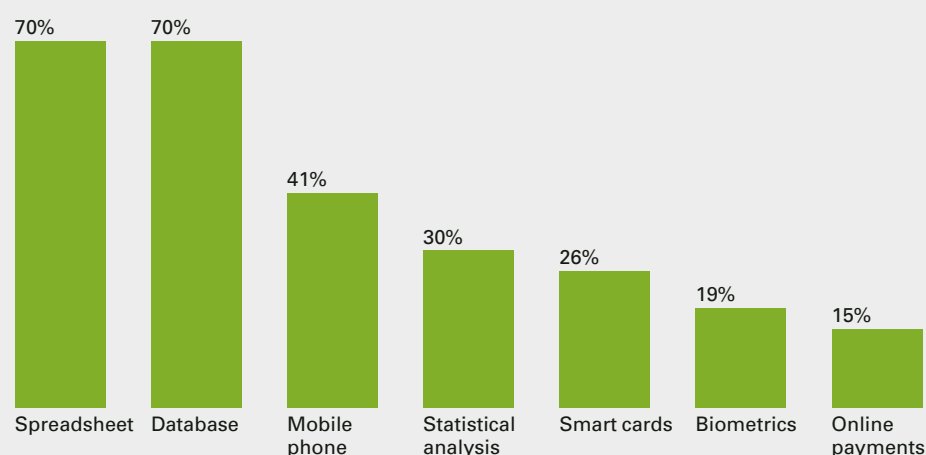
Use technology to eliminate some steps; do not simply automate a manual process.

Instead of building a system in-house or seeking help from a provider, see if another microinsurer has software that can be adapted.

The microinsurance industry needs technology outreach, data and workflow standardisation and a repository.

Figure 5

### What technologies do we use?



## Parallel session 4

## Linking social protection schemes with microinsurance

Healthcare for the poor is a huge challenge. Universal provision of a minimum package of essential services is a necessity, but beyond the financial capacity of parties involved in the process – from the public and private sectors and the civil society.

Various social protection and insurance schemes have pros and cons and none is capable of meeting the need entirely on its own. Emerging innovative approaches in different countries combine in a coherent mix different actors and mechanisms and are showing impressive results. These linkages seem promising and more research and experimentation are needed.

The ILO/STEP has documented and prepared a typology of ten effective linked schemes in countries such as Colombia, the Philippines, Rwanda, Senegal and India. It plans to participate in further development of these schemes, through technical and other support, and enhance collaboration among them.

The linked schemes involve several actors like the state, communities, microinsurance schemes, the co-operative sector, healthcare providers, private insurers and social security institutions. They demonstrate that linkages can increase the scope of benefits and resources, financial consolidation and technical management of micro health insurance schemes.

Uruguay also presents a good example of the design and implementation of an integrated national health system – a basic package of comprehensive health services to be provided by public and private healthcare providers. It covers all citizens as healthcare is established as a right in the country's constitution. The system is financed by the National Health Fund (FONASA) made up of contributions of workers, public and private enterprises and the state.

In Nicaragua in 2007, the Social Security Institute initiated a pilot programme to extend health insurance to informal sector workers using MFIs as delivery channels. A follow-up study involving 4,000 informal workers in Managua assesses the effectiveness of offering health insurance to the informal sector both with and without the assistance of MFIs, and its impact on affordable healthcare.

This model could be adapted for extending healthcare to the informal sector in other countries. One finding is that service quality and interventions that facilitate affiliation, including investments in IT and marketing, can increase take-up in a voluntary programme and broaden risk pools.

### Lessons learnt

- Stand-alone micro health insurance schemes cannot significantly extend coverage to large numbers.
- Linkages with other institutions can increase the scope of benefits, contracting power, financial resources and technical management of schemes.
- Linked schemes have shown promising results in Latin America, Asia and Africa.
- Sharing information and knowledge on these experiences is key to developing micro health insurance for the poor.



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28 — Brenda Rial, América Cooperativa y Mutual, ACYM, Uruguay.

29 — Christian Jacquier, ILO, Switzerland.

30 — Valérie Schmitt-Diabate, ILO, Switzerland.

31 — Barbara Magnoni, EA Consultants, USA.

## Box 6

**Successfully linking microinsurance with social security schemes: Two examples from India****Yeshasvini****Where**

Karnataka, India

**Why**

Dr. Shetty, cardiac surgeon: It is possible to extend access to the most sophisticated healthcare services to the poor.

**Benefits**

1,600 surgeries, OPD, normal deliveries, paediatric care during the first five days after birth, stabilisation of defined medical emergencies requiring indoor treatment

**Number of insured**

2.2 million people insured in 2007

**Premium**

INR 120/person and year, discount 15% family of five

**Decision makers**

Board of six trustees (prominent state and private individuals); the chairman is the Principal Secretary of the Cooperative Department

**Stakeholders**

- Government of Karnataka (subsidies: +1/3 of income)
- Cooperative Department (communication)\*
- Cooperative societies (enrolment)\*
- Cooperative banks (assist in premium collection)\*
- FHPL (claims settlement + network of hospitals)
- 320 hospitals (healthcare provision)

\* Low admin. costs

**RSBY (Rashtriya Swasthya Bima Yojana)****Where**

India, 17 states

**What**

A subsidised national health insurance scheme for the BPL (below poverty line) in India that will rely on health insurance projects in all the districts of the states of India. A new bill was introduced in parliament.

**Why**

Majority of the unorganised sector workers (93% of total workforce) are still without any social security coverage.

**Benefits**

- Total sum insured INR 30,000/per family per year
- Cashless attendance — All pre-existing diseases to be covered
- Hospitalisation expenses, taking care of most common illnesses with as few exclusions as possible
- Transportation costs (limit of INR 100 per visit, overall limit of INR 1,000)

**Number of insured**

Target: 300 million BPL

**Funding pattern**

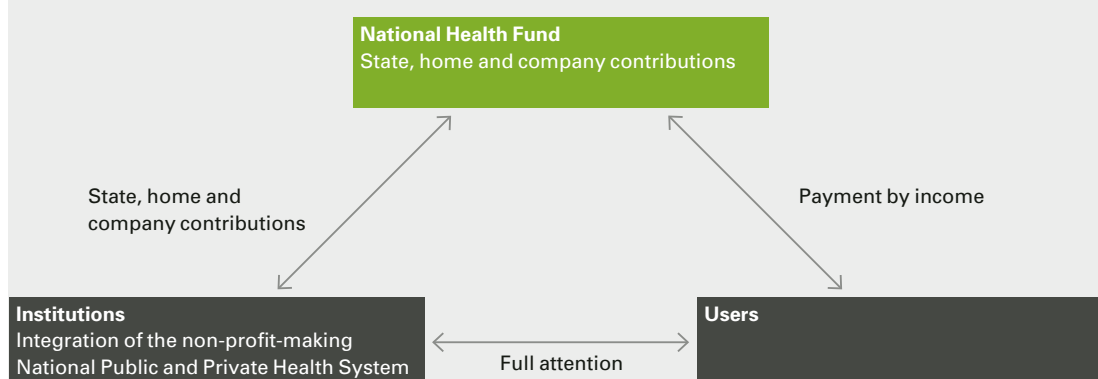
- Estimated annual premium: INR 750 per family per year
- Government of India: 75% of premium + cost of smart card
- State governments: 25% of annual premium
- Each beneficiary pays INR 30/year as registration/renewal fee.

**Stakeholders**

- Central government and state governments
- Health insurance projects including NGOs, TPAs, insurance companies

Source: ILO 2008

Figure 6

**How the National Health System of Uruguay works**

Source: Rial, Brenda. Presentation "The design and implementation of an integrated National Health System in Uruguay". 4th International Microinsurance Conference 2008



## Parallel session 5

## New issues in microinsurance policy

Three topics covered as “new issues” in this session – long-term savings and insurance for the poor, conditional cash transfer combined with insurance, and regulatory issues for mutuals – are not exactly new but have not so far been discussed in depth in this series of microinsurance conferences.

### Long-term savings

In developing economies macro-economic shocks erode the value of long-term savings held in micro-pensions and microinsurance.

As these losses undermine the efforts of families of modest means to save and protect their assets, remedies should be explored. One solution proposed is a global maintenance-of-value structure that would protect the value of the long-term savings of the poor. The institutional design of such a structure should be placed on the public-policy and development-research agendas.

Even if microinsurers maintain adequate capital and reserves to meet future liabilities, they face asset-default risk linked to the financial infrastructure and investment opportunities. A high return involves high risk. If investment is too safe, it could lead to erosion of the portfolio; if it is too risky, asset default becomes likely.

The use of a currency exchange fund together with an offshore investment vehicle could potentially resolve these risks and problems. It is a special-purpose fund based in the Netherlands and funded by the IMF, and was launched by several development finance institutions to hedge currencies and maturities not widely traded, if at all, by regular markets. The investment vehicle swaps the local currency received, invests in foreign-currency-denominated instruments, generates returns in hard currency and matches duration using instruments not available in domestic markets.

Another way of providing protection against a catastrophic loss of local currency value would be donor-driven participatory savings for the poor and not-so-poor. Such an instrument, involving depositors' contributions, should be country-specific and fit local conditions, with donors providing a top-up based on trigger points. A local participating savings intermediary must be a licensed financial institution, meet prudential standards and be subject to independent audit.

### Conditional cash transfer

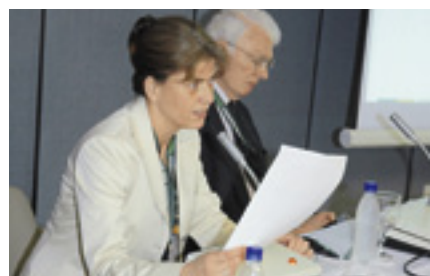
Though microinsurance has proved to be a commercially feasible solution for the productive poor, it cannot compensate for the vulnerability of the poorest, who lack regular income. For them, it needs to be combined with conditional cash transfers (CCTs).

A CCT programme provides a welfare payment to targeted households in return for compliance with conditions. The conditions include sending children to school regularly and bringing the family to health centres for regular check-ups. CCT programmes in Colombia, Mexico and Brazil have covered two, five and 13 million households respectively.

Research results show that CCTs without insurance lead to human asset depletion. For instance, the loss from a single insurable event forces the household to send its children to work in the informal sector business. So, insurance combined with government-run CCT programmes would protect income, consumption and children's education. The long-term objective would be to link CCT beneficiaries to MFIs, which could help them build assets through microcredit and protect those assets through microinsurance, improving the household's welfare over time.

Microinsurance providers stand to gain from the existing scale and structure of CCT programmes. For instance, CCT programmes have an established distribution network for making payments, robust information systems and a well-trained group of coordinators at the local level. Additionally, donor organisations could assist the microinsurance providers in areas like demand assessment, client education and capacity building.

Policy challenges to be met by such a scheme include: regulatory (can unlicensed CCT intermediaries promote, distribute and service insurance contracts?); legal (does premium deduction from CCT require legislative changes?); and operational (under what conditions should the government underwrite the insurance contract?).



32 — Left to right:  
Brigitte Klein, GTZ, Germany;  
J.D. von Pischke, Frontier  
Finance International, USA.

33 — Left to right:  
C.S. Ramanathan, World Bank,  
USA; Doubell Chamberlain,  
Cenfri, South Africa.



### Regulatory issues for mutuals

Another significant issue is the impact of regulation on mutual organisations. Case studies carried out by the Microinsurance Network in South Africa, Colombia, India and the Philippines provide some insights.

When considering how regulation could help mutuals, one should bear in mind that they are a natural form of societal risk management that engenders trust and acceptability of insurance. They have a significant role in current microinsurance markets: in Colombia, 62% of the formal microinsurance sector; in the Philippines, 32% (60% including the informal sector); and in South Africa (funeral), 10% (65% including informal).

From the policy perspective, mutuals may pose risks as they grow:

- Prudential (moving from informal risk-pooling to guaranteed benefits and from simple microinsurance to more complex products requiring actuarial treatment);
- Market conduct (collective decision-making and distribution may weaken performance as size increases);
- Governance/institutional (surpluses accruing to members reduce fiduciary risk but, unlike joint-stock companies, mutuals cannot raise capital for growth in the market).

Regulatory responses to these concerns so far have ranged from ignoring and excluding them to allowing them a special tier for exemption or full regulation. For policy issues to consider, see Box 7.

### Box 7

#### Policy issues to consider

- 1 The priority of financial inclusion as a policy objective
- 2 What is the current role of member-based insurers in your country?
  - Sufficient information required on scope and size of activities (underwriting and intermediation)
  - The role of member-based organisations in facilitating financial inclusion
  - Insurance operations vs other objectives served by mutuals
- 3 What is the risk profile of member-based insurance activities?
  - Which types of member-based insurance activities do you have and what are the risk implications?
  - Evidence of consumer abuse – by whom and of what nature?
- 4 How does this fit with existing regulation?
  - Is it recognised as an institutional form and how extensively provided for (common law or regulation)?
  - Insurance regulation – can member-based insurers be accommodated in existing insurance laws and regulations?
  - Who is responsible for regulating member-based organisations? How to ensure a coordinated approach
  - Decide on a regulatory approach to manage member-based insurance schemes: exemption, tiering (special category), recognition as formal insurers.
  - Formalisation: does the regulatory framework facilitate the graduation path?
- 5 Issues to consider for supervision and enforcement
  - Strengthening governance of the member-based organisation
  - Capacity to supervise and enforce compliance

Source: Chamberlain, Doubell. Presentation "Policy issues for mutuals". 4th International Microinsurance Conference 2008

### Lessons learnt

A currency exchange fund with offshore investment can help microinsurers avert asset default in economic downturns.

Government-run conditional cash transfers for those below the poverty line need to be combined with microinsurance to help them build assets and protect income.

Member-based organisations play an important role in the delivery of microinsurance. Policy issues raised by mutual and other member-based institutions call for a coordinated regulatory response to enable them to sustain services to the low-income and informal sectors.

Parallel session 6

Capacity building  
for financial literacy

Consumer education is important – for clients to understand and use insurance services effectively, and for insurance providers to build customer loyalty and a sustainable business. The session opened with the launching of Microfinance Opportunities’ new insurance education module, “Risk Management and Insurance”. Targeted at low-income households, it engages participants in understanding how to manage risk, the value of savings and credit as risk management instruments, and the meaning of pooled risk. It concludes with an explanation of what insurance is and what the policyholder needs to know about insurance, such as premiums, claims and payouts. The remaining presentations in the session reviewed three notable case studies: a pilot research project by FASECOLDA in Colombia, workshops conducted by the South African Insurance Association and a game simulating index-based insurance to analyse decision-making by farmers in Peru.

Research first —  
Understanding the needs

While pilot-testing and later adapting a financial education module developed by Microfinance Opportunities, FASECOLDA undertook a survey indicating that in Colombia lack of money, lack of interest and high cost are the major reasons why most people in low-income sectors do not have insurance. A significant number also consider insurance as something they do not understand – a reason that probably underpins other factors too.

The market research also showed that

- people understand risks (the most common are unemployment, illness and death);
- people understand “premium” as money they are going to receive rather than something they pay – the result of formal sector workers receiving “premiums” or bonuses as part of their benefits;
- they also confuse “insurance” with government’s “social welfare” programmes;
- they consider credit more important than savings in managing shocks (and therefore it should be included as part of the risk-management strategy).

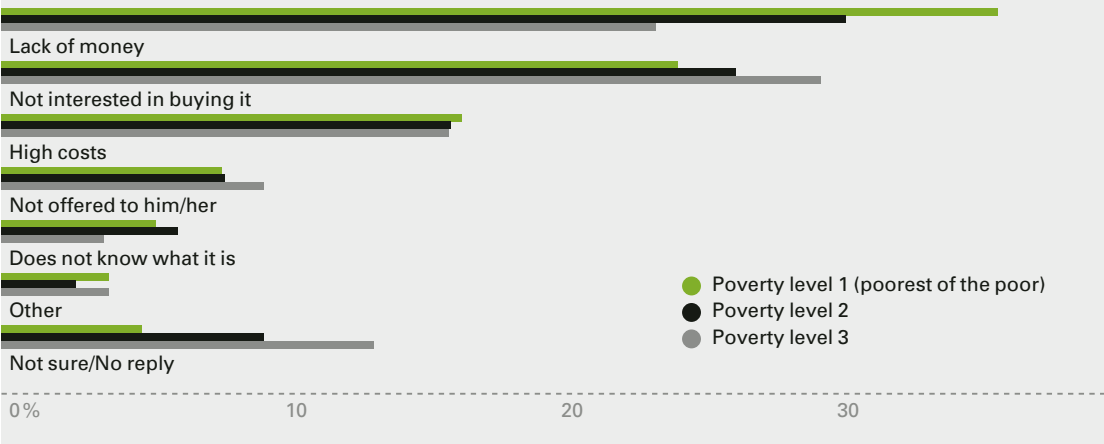
Respondents indicated that they want to learn, not just receive information, and that besides TV and radio they were interested in weekly workshops. FASECOLDA is working with the SENA, a government training institution, to deliver financial education through MFIs, *cajas de compensación* (with unemployed who access subsidies through *cajas*) and cooperatives.

Community workshops

The South African Insurance Association (SAIA) has been active in microinsurance and consumer financial literacy since 2004. The country’s Financial Services Charter requires all financial institutions in South Africa to make appropriate products available to lower-income groups. The organisations are also required to spend 0.2% of their after-tax profits on consumer financial education.

Among consumer financial literacy projects undertaken by the SAIA are: community workshops on managing money conducted for 75,000 participants in nine languages (Zulu, Xhosa, Sotho, Tsonga, Venda, Tswana, Pedi, English and Afrikaans); mass media infomercials and stage and kiosk shows on asset and property insurance; financial literacy development for 13,000 teachers and 500,000 students in 4,000 schools; and customer focus groups to clarify insurance terminology and correct, among other misconceptions, the notion that insurance is for the wealthy only.

Figure 7  
Reasons not to have insurance. Results based on a survey of 550 households in the three least economically powerful social groups in Colombia



Source: FASECOLDA-Fundaseg, Yanhaas, 2008

### Playing the game

For farmers in developing regions, index-based insurance is seen as having a number of advantages: it protects against covariate shocks, a major risk; it is not affected by actions of individual farmers, so there is no moral hazard or adverse selection; and it is low-cost, as there is no assessment of individual losses. Numerous pilot projects over the past decade have had limited success, with the exception of India. One reason may be that farmers are unlikely to purchase a product they do not understand.

To promote understanding of index-based insurance, a pilot research project in Peru, uses a game to simulate farmers' credit and investment decisions.

The session consists of two parts. First, the game, using real numbers for cost of production, yields and premium, introduces farmers to area-yield insurance and simulates their decision to purchase insurance (or not). By seeing the implications of their decisions over a series of game rounds (for each season), they gain first-hand experience of the costs and benefits of index-based insurance. In the second part, they discuss details of the product and have their questions answered.

The "learning by playing" exercise so far has produced mixed results. While it enables participants to make an informed choice, it has left their understanding imperfect: they do not trust the government's average yield figure and focus instead on potential yield; and one out of four believes an insurance payout would depend on individual luck.

34 — Steve Boucher, University of California, Davis, USA.

35 — Alejandra Díaz, FASECOLD, Colombia.

36 — Michael McCann, Mutual & Federal, South Africa.

37 — Monique Cohen, Microfinance Opportunities, USA.

### Box 8

#### Difficulties in understanding index-based insurance

##### Specific challenges to comprehension

Insurance is a stochastic product.

- Farmers always pay the premium, but seldom receive an indemnity payment.
- If farmers do not understand the "preventive" nature of insurance, they may become disillusioned if they pay but do not receive anything.

Index insurance implies basis risk.

- Farmers may not receive an indemnity payment even if their yields are low.
- If farmers do not understand this, they will be angry (expect but do not receive payment).

Insurance has inter-temporal benefits.

- Receiving indemnity payment when conditions are bad prevents negative long-term effects.
  - Selling off productive assets (land, livestock).
  - Default due to loss of future access to credit.

Farmers will underestimate value if these benefits are not considered.

Source: Boucher, Steve. Presentation "An educational outreach strategy for area-yield insurance: Lessons from a pilot programme in Peru". 4th International Microinsurance Conference 2008

### Lessons learnt

People in low-income groups want to understand, not just receive information on, insurance.

In addition to community workshops, focus groups and mass media advertising, financial literacy can be promoted effectively in schools.

Demand for index-based insurance will grow as more and more farmers are helped to understand how it works.



34



35



36



37



One of the key product issues is KISS — Keep it simple, stupid!

Craig Churchill, ILO  
Chairman, Microinsurance Network



38



39



40



42

38 — David Ronoh, Cooperative Insurance Company of Kenya (right) outlining views on microinsurance during one of the breaks.

39 — Twenty organisations had stands to present their work in microinsurance. This new communication platform was well received.

40 — Left to right: Sabrina Regent, PlaNet Guarantee, France; Luis Huerta, Seguros Argos, Mexico; Recaredo Arias, General Director of the Mexican Association of Insurers, Mexico.

41 — The conference team of the Munich Re Foundation (left to right): Torsten Kraus, Dirk Reinhard, Petra Hinteramskogler, Martina Mayerhofer, Markus Heigl and Angelika Boos.

42 — The fact that over 60% of the participants were representatives from the private insurance industry indicates the increasing interest of mainstream insurers in microinsurance.



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# Agenda

## Day 3 afternoon sessions 7 November 2008

Parallel sessions	Speakers	Facilitators
<b>Session 7</b> <b>Regulation, supervision and policy issues in Latin America</b>	<u>Carla Chiappe Villegas</u> Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones, Peru SBS, Peru  <u>Regina Simoes</u> SUSEP, Brazil  <u>José Alberto Garzón Gaitán</u> Banco de Comercio Exterior de Colombia – BANCOLDEX, Colombia The role of developing agencies in microinsurance promotion: The Colombian experience	<u>Guillermo Aponte</u> Centro AFIN, Bolivia
<b>Session 8</b> <b>Health</b>	<u>John Pott</u> Aga Khan Agency for Microfinance, Switzerland Experimenting with innovative health microinsurance products: issues for new practitioners – Early quantitative lessons learned from two schemes in Pakistan  <u>Elisa Carolina Torrenegra Cabrera</u> Gestarsalud, Colombia The subsidised regime of health operated by companies  <u>Christine Bockstal</u> ILO, Senegal	<u>Denis Garand</u> Consultant, Canada
<b>Session 9</b> <b>Agriculture/Disaster</b>	<u>Aaron Oxley</u> MicroEnsure, USA Index-based solutions for drought, floods and typhoons  <u>Anne Murphy</u> GlobalAgRisk, USA Using NGOs to advance microinsurance for weather risks among the rural poor  <u>Ramakrishnan Devaprakash</u> CARE, India Designing a disaster-specific product: Making it more relevant and affordable	<u>Thomas Loster</u> Munich Re Foundation, Germany
<b>Plenary 5</b> <b>Regulation, supervision and policy issues</b>	<u>Doubell Chamberlain</u> Cenfri, South Africa Introduction: Guiding principles for the regulation of microinsurance  Discussants  <u>Roberto Borrás</u> Ministry of Finance, Colombia  <u>Recaredo Arias</u> Mexican Association of Insurers, Mexico	<u>Craig Thorburn</u> The World Bank, USA

## Parallel session 7

## Regulation, supervision and policy issues in Latin America

Jordana de Pozas, the eminent legal scholar and author, defines development actions as “a middle way between inhibition and state interventionism that tries to reconcile freedom with the community’s well-being, by means of their direct influence over the individual’s will, to make him want what is adequate to satisfy the public will”.

From that perspective, is micro-insurance a special product for the development of which the state should intervene to make its supply meet demand in an economically sustainable way? In what way should the government intervene? The question is addressed in this session from experience in three countries: Peru, Brazil and Colombia.

### Peru

In Peru microinsurance services have been regulated by the Superintendencia de Banca y Seguros (SBS) since February 2007. Microinsurers are subject to bancassurance regulations and to special microinsurance rules about registering policies, as well as prudential and market-conduct rules. The special regulations for microinsurance require that policies should have minimum exclusions and conditions, and that claims be paid in ten days maximum. Accident and health are the principal microinsurance covers developed by insurance companies.

In addition, the Asociación de Fondos Contra Accidentes de Tránsito (AFOCATS), created as an alternative provider of car insurance, has since February 2008 included nearly 50 regional and provincial funds, while healthcare services (pre-paid) are provided by organisations registered with the Superintendencia de Entidades Prestadoras de Salud (SEPS).

With these micro health and accident covers continuing to outpace the growth of registered microinsurers under the new regulations, SBS is contemplating some modifications, in particular to

- review issues in the legal and regulatory framework that could be slowing down microinsurance;
- study the low-cost covers and determine which of them are more appropriate for the poorest sectors;
- work with MFIs on common strategies;
- motivate the use of new channels of distribution.

SBS also proposes new capital and solvency requirements for AFOCATS, and stricter enforcement of regulations for healthcare services.

### Brazil

In Brazil, the idea of microinsurance regulation began at the end of 2003, and in 2004 a new regulation for life insurance was implemented. In 2005 another regulation was implemented for used cars more than ten years old. Then a special commission was created inside the Superintendência de Seguros Privados (SUSEP) to look into microinsurance and report its findings by the end of 2008.

The commission began its work by defining microinsurance and the low-income market. Its concept of microinsurance is in line with the IAIS-Microinsurance Network Joint Working Group’s definition: a financial service provided by authorised entities, which targets the low-income population and where premiums are linked with risks involved.

As for the low-income population, there are lots of contrasts in Brazil, but three notable variables: per-capita income, education and the physical structure of the household. The commission defines the target market as: households with per-capita income up to three times the minimum wage, which is now about US\$ 210; people working in the informal sector (about 29 million); and formal low-income workers.



43 — Left to right: José Alberto Garzón Gaitán, BANCOLDEX, Colombia; Regina Simoes, SUSEP, Brazil; Carla Chiappe Villegas, Seguros y AFP, Peru; Guillermo Aponte, Centro AFIN, Bolivia.

The commission's next task was to identify obstacles to microinsurance development in some 90 rules among laws, resolutions and circulars that form the legal framework of insurance. It found that, with the exception of the legal nature of providers, the current framework does not present any significant obstacles – and is in fact flexible on issues in microinsurance supervision and regulation. The framework, for example, enables insurance contracts by “boleto” – a more simplified policy for commercial purposes.

The challenge is the adoption of a model of microinsurance operated by licensed insurers with regulatory conditions and compatible with the complexity and risk of operations. Drafting a legal framework specific for microinsurance, within the scope of the National Insurance Council/SUSEP, will be the more practical way of regulation to avoid cross-references. A special law is not needed.

The biggest challenge, as noted by the President of Colombia, is to develop microinsurance as a business, not as a charity.

### Colombia

In Colombia, BANCOLDEX, the second-level state bank for entrepreneurial development and foreign trade, began its involvement with microfinance and microinsurance in 2003, using synergies in its wide scope and network with, among others, MFIs, NGOs and workers' groups representing microentrepreneurs. As a development bank it met conditions for bancassurance and built alliances with insurers. Its aim was to create insurance with simple, suitable covers, in clear and simple language, and offer its own network for their distribution (see Figure 8).

The products conceived by BANCOLDEX for the microentrepreneur are FUTUREX, a life policy offered jointly with Suramericana de Seguros de Vida insuring 39,000 lives, and a damage insurance policy being developed in an agreement with MAPFRE.

BANCOLDEX also manages Banca de Oportunidades (the Bank of Opportunities), the government's programme to facilitate lending to microentrepreneurs.

### Lessons learnt

Monitor performance of regulated microinsurers and low-cost covers, and review regulations that may be hampering growth.

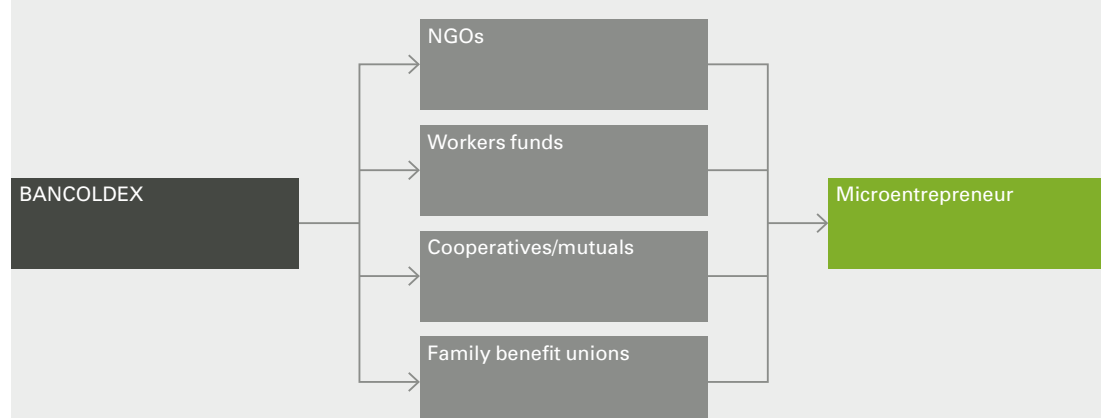
Work with MFIs and NGOs on common strategies and distribution channels.

Drafting a legal framework for microinsurance within the current insurance regime may be more practical for regulation than a special new law.

A second-tier state development bank can be an effective tool to work with the financial sector and civil society in promoting microinsurance.

Figure 8

### How to reach the microentrepreneur



## Parallel session 8

## Health

The most pressing need in insurance for the poor is for health coverage. Practitioners introducing health insurance products can improve their chances of success by taking a close look at the experience of two pilot projects in Pakistan, the new system known as *seguridad social* in Colombia and community-based health mutual schemes in francophone Africa.

**AKAM**

Number of people insured through microinsurance  
15,500

**Insured risks**

Health (hospitalisation)

**Premium range**

US\$ 5.00–5.80 per month

In 2007, the Aga Khan Agency for Microfinance (AKAM) launched two differing micro group health insurance pilot schemes in Pakistan as part of a five-year programme to research and roll out innovative products.

Early quantitative results provide some useful lessons for addressing operating issues prior to implementation: the choice of a distribution channel, what health expenses to cover, should the scheme be mandatory or not, the basis for setting the premium, whether the premium should be monthly or annual, what exclusions should apply, and whether claims should be settled with the service provider and the service be cashless for the client.

To compare and contrast, the AKAM chose a village in a semi-urban northern setting for distributing one scheme and an MFI in a city in the industrial heartland for the other.

The village-based scheme was made semi-mandatory and the MFI-based mandatory. Voluntary schemes require expensive marketing and, worldwide, have failed to attract more than 20% participation. Semi-mandatory schemes generally aim for 70% participation, but the AKAM set its sights lower at 50%.

Early findings of the Pakistan pilots indicate that

- claims incidence experience is significantly lower for the mandatory scheme;
- low-frequency, high-cost events are most suited for insurance, as high-frequency, low-cost events are cumbersome and expensive to administer;
- market research on ability to pay is likely to be too optimistic, as in focus groups it is difficult for people to say they cannot pay in front of others;
- aiming for long-term premium pricing, taking in early adverse experience, means the insurer's capital or reinsurance bears the cost of experimentation, while building a substantial additional risk allowance into premium pricing at the outset makes enrolled customers bear the cost of experiment;
- exclusions can be used to lower premiums to very affordable levels but at the same time make the product less attractive and harder to understand for the client – leading to client dissatisfaction;
- excluding women and older people from coverage would leave the family's decision-makers out;

- monthly payments as opposed to annual premium payments make the premium more affordable, but require a more sophisticated IT system;
- cashless service is significantly more attractive to customers, though payments can be subject to fraud and a source of client discontent.

**Seguridad social**

The health coverage in Colombia has resulted from historical evolution. A key development was the creation of mutual health enterprises in the 1990s when government enabled communities to use public resources and design their own public health programmes. The focus was on the poor and in rural areas.

*Seguridad social* or social insurance operates under Law 100 and, in addition to the subsidised part involving municipalities and communities, has a contributory (taxed) system for higher-income people.

In the subsidised part, almost 9.6 million Colombians are affiliated to mutual health providers (*empresas solidarias de salud* or ESS) covering 600 municipalities in 30 departments.

The ESS model is based on individuals' contributions at the community level. Members acquire a share (at the time COP 1,000 or US\$ 0.45) in a mutual or cooperative organised as an enterprise to secure access to funding for health coverage. The ESS as non-profit entities reinvest their surpluses in projects in education and income-generating activities related to improving health. Ownership at the community level has been crucial in the success of the ESS.



44 — Left to right: Denis Garand, Consultant, Canada; Christine Bockstal, ILO, Senegal; Elisa Carolina Torrenegra Cabrera, Gestarsalud, Colombia.

45 — John Pott, the Aga Khan Agency for Microfinance, Switzerland.

**Box 9****The need for healthcare**

Only one in five people in the world benefits from adequate social health protection.

In Africa, 47% of the population lives on less than US\$ 1 per day. Out of the ten million children that die every year under the age of five, 50% die in Africa.

In sub-Saharan Africa, only 5–10% of the active population is covered by a health insurance scheme.

Lack of cover is concentrated in the informal economy and rural areas, where insecurity is the highest.

Source: Bockstal, Christine. Presentation "HMIS in national social protection strategies: Experiences from francophone African countries". 4th International Microinsurance Conference 2008

**Health mutual insurance schemes (HMIS)**

In francophone African countries, national social protection strategies have supported community-based health mutual insurance schemes (HMIS). These schemes have a voluntary membership with low premiums but lack resources. What is important for members is that they have a basic project with real access to healthcare and that civil society participates in the design.

Notable community-based schemes with a potential for further development include two in Senegal. UM-PAMECAS (Union des Mutuelles du Partenariat pour la Mobilisation de l'Épargne et du Crédit au Sénégal) links microfinance and micro health insurance and TransVie is a social mutual organisation for workers in the transportation sector.

In Benin, the MSS (la Mutuelle de Sécurité Sociale) is an HMIS for craftsmen and workers of the informal economy. HMIS examples are also found in other countries, such as Burkina Faso and Rwanda.

These HMIS experiences have illustrated the need to

- implement performance management systems for practical and trust matters to ensure efficient use of scarce resources;
- find alternatives to strengthen beneficiaries' limited contribution capacity;
- find an equilibrium between the insurer's preference to cover low-frequency, high-cost events and the clients' need for care of frequent, small risks;
- enact required legislation on social mutual organisations;
- develop national frameworks to facilitate contracting with health-care providers.

**Lessons learnt**

Focused group research on ability to pay is likely to be too optimistic, as people do not want to say that they cannot pay.

Women and elders are the decision-makers in a family and should not be excluded from health covers.

Community-based healthcare providers serve remote, largely poor areas where private sector companies have little interest, and reinvest surpluses in health prevention and improvement.

The amount members are willing to pay in a voluntary scheme depends not only on their contribution capacity, but on trust in management and the perceived quality of the insurance product.

**Box 10****Health coverage in Colombia**

Subsidised health coverage:  
22.7 million people insured (51%)

Contributory health coverage:  
17 million people insured (40%)

Special health programme  
(e.g. for military and public teachers):  
1.9 million people insured (4.3%)

95% of Colombians have health coverage

Source: Fidufosyga Consorcio, Colombia



## Parallel session 9

## Agriculture/disaster

Agriculture and disasters are basically two very different issues. However, when it comes to microinsurance solutions, they can go hand in hand and have similarities. Agriculture needs protection from natural disasters such as floods and droughts, and climate-risk insurance involves different impacts, scales and products.

Farming is done at micro and meso scales, covering individuals up to hundreds of thousands; natural disasters mostly occur on meso and macro scales, impacting regions in one or even more countries. At the micro level, farmers can use individual life, health, funeral, property and, increasingly, livestock insurance – while there are derivatives and index-based insurance to cover droughts and flooding (meso-scale solutions).

Catastrophe bonds, pooling solutions and funds are usually used for natural events at the macro level. In the industrialised countries today, many catastrophe bonds have been issued; they cover both weather and earthquake risk.

#### Insurance markets: The wheel of interest

A typical cycle, involving research, data, growth and interest, is evident in the well-insured world as well as the uninsured (microinsurance) world.

Insured world: Insured markets lead to sound research, which leads to better data. Good data improve products and lead to market growth. Growth leads to stronger markets and even more interest on the part of both the insureds and the insurers. Eventually, interest results in further research.

Uninsured world: The lack of data impedes the development of products and growth, resulting in less research and fewer data. Without data, there is no growth, and so on.

#### Meso-scale index-based insurance

Weather-indexed insurance is attracting increasing interest as it makes the rounds. It does away with the expensive claim-filing and verification processes that make normal indemnity insurance cumbersome. To insure crops in the Philippines, a smallholder farmer must pay up to 20% of the sum insured into the indemnity scheme. In Malawi, weather indexing since 2005 has made crop insurance affordable at 5–10% of the sum insured. A drought scheme in Ethiopia in 2006 covered some 17 million farmers; the sum insured was US\$ 7m and the premium below US\$ 1m.

The model introduced in Malawi by MicroEnsure was based on three phases of the growing cycle, each with distinct water needs: sowing and establishment, growth and flowering, and yield formation. Experience showed that the three indices involved considerable basis risk, that is, the risk of actual loss varying from the calculated one – in the event, for example, of an entire month's rain falling in one day.

As a result, a moving average multi-phase (MAMP) model is now used, based on a weighted moving average of rainfall to more accurately reflect the water available to the crop at any time.

#### Macro-scale index-based insurance

Typhoons and cyclones are a major risk for large parts of the world. In February 2009, MicroEnsure plans to launch a typhoon product in the Philippines which covers this risk without reliance on the weather-station infrastructure.

The insurance will trigger a payout in line with the severity of the storm and how close it passed to a farm during the growing and post-harvest season. The distance of typhoon tracks for payouts uses the GPS (global positioning system) location of each farm or group of farms. The index and price are based on 50 years of data from the Japanese Meteorological Agency.



46 — Left to right: Ramakrishnan Devaprakash, CARE, India; Anne Murphy, GlobalAgRisk, USA; Thomas Loster, Munich Re Foundation, Germany; Aaron Oxley, MicroEnsure, USA.

Figure 9  
Insurance markets:  
The wheel of interest



Source: Loster, Thomas. Presentation "Munich Re Foundation: From knowledge to action".  
4th International Microinsurance Conference 2008

### Microinsurance covering disasters

Linking weather insurance to mitigation and adaptation measures can help farmers manage climate risk more effectively, and insuring a farmer's overall livelihood rather than a single crop could have more value – along the lines of business interruption insurance.

Innovations in product delivery are also needed to increase the market for microinsurance among the rural poor by lowering transaction costs and improving accessibility. NGOs can be used as a delivery channel. They can facilitate the use of microinsurance by the rural poor by taking advantage of existing networks, knowledge and community relationships.

They can also support rural livelihoods by encouraging risk management, risk mitigation and adaptation.

For people in the tsunami-hit coastal districts of Andhra Pradesh, CARE India and Royal Sundaram, a private insurer, jointly designed a product closely related to their needs and affordability. The product offers four

basic covers and eight kinds of benefits, at an affordable premium of INR 60 (US\$ 1.60), for accidental deaths, household assets, disability compensation and hospital care. Perceived as innovative, it happened to be the first officially registered microinsurance product with the Insurance Regulatory and Development Authority (IRDA). The product has so far been distributed to more than 22,000 households, as part of a strategy combining livelihood protection and disaster prevention, and offering relief, rehabilitation and reconstruction.

HIV/AIDS is a growing problem in a number of these communities and a microinsurance pilot is under way to protect the sufferers' wage loss and quality of life. Another pilot is using an index-based approach for salt pan insurance, for a tsunami affects not only fishermen but salt workers.

CARE India's experience shows that communities are prepared to pay higher premiums for products that are relevant and cover disaster risks. Generally, people are ready to allocate 6–8% of their annual income towards premiums to cover all risks.

### Lessons learnt

Protecting agriculture against major loss events or disasters involves different impacts, scales and products.

Microinsurance should address the real needs of victims of disasters and be part of a strategy offering relief, rehabilitation and reconstruction.

A moving average multiphase model can reduce basis risk in weather indexing.

Weather insurance should be linked with climate-risk mitigation measures and livelihood protection, and distributed through NGOs in agricultural communities.

### Box 11

#### Examples of insurance at the macro and meso level

	Country	Risk event	Contract structure	Index measure	Target user	Status
<b>Macro level</b>	<b>Mexico</b> <b>FONDEN</b> Fondo por Desastres Naturales	Natural disasters impacting small farmers, primarily droughts	Index insurance	Rainfall, wind speed, temperature	State governments for US disaster relief	Began in <b>2001</b> ; available in 26 of 32 states; 28% of dryland cropland is covered
	<b>Mexico</b> <b>FONDEN</b> Fondo por Desastres Naturales	Major earthquakes	Cat. bond and index insurance	Richter Scale readings	Mexican government	Began in <b>2006</b> ; Cat. bond provides up to US\$ 160m; index provides additional funding up to US\$ 290m
	<b>Caribbean</b> <b>CCRIF</b> Caribbean Catastrophe Risk Insurance Facility	Hurricanes and earthquakes	Index insurance with risk pooling for reinsurance coverage	Indexed data from NOAA and USGS	Caribbean country governments	Implemented in <b>2007</b> ; won "Transaction of the Year" in London
<b>Meso level</b>	<b>Malawi</b>	Droughts	Index insurance linked to lending	Rainfall	Groundnut farmers who are members of NASFAM	Began in <b>2005</b> ; 2,500 policies sold in 2006
	<b>Ethiopia</b>	Droughts	Index insurance	Rainfall	WFP, five operations in Ethiopia	In <b>2006</b> , US\$ 7m insured. Policy not renewed for 2007
	<b>Mongolia</b>	Large livestock losses due to severe weather	Index insurance with direct sales to herders	Area livestock mortality rate	Nomadic herders	Completed in <b>2007</b> ; offered in three provinces; 14% of eligible herders are participating

## Plenary 5

## Regulation, supervision and policy issues

The Regulation, Supervision and Policy Issues Subgroup of the Microinsurance Network coordinated five country case studies<sup>1</sup> on the role of regulation in the development of microinsurance in IAIS member jurisdictions: Colombia, India, the Philippines, South Africa and Uganda. A 110-page report containing the case studies' synthesis findings can be found on the Munich Re Foundation website in the conference documents in this plenary's summary section. These findings have yielded ten "emerging guidelines" (see Box 12).

Discussion in the plenary focused on Mexico and Colombia, and followed three themes that run through issues of regulation, supervision and policy: how microinsurance markets evolve, tiered space for microinsurance, and regulatory approach and leadership.

### Box 12

#### Emerging guidelines

- 1 Take active steps to develop a microinsurance market.
- 2 Adopt a policy on microinsurance as part of the broader goal of financial inclusion.
- 3 Define a microinsurance product category.
- 4 Tailor regulation to the risk character of microinsurance.
- 5 Allow microinsurance underwriting by multiple entities.
- 6 Provide a path for formalisation.
- 7 Create a flexible regime for the distribution of microinsurance.
- 8 Facilitate the active selling of microinsurance.
- 9 Monitor market developments and respond.
- 10 Utilise market capacity to support supervision in low-risk areas.

### Box 13

#### How markets evolve: Policy issues

Build awareness and trust (perception of value).

Facilitate positive market discovery and active sales process.

Allow alternative distribution models and partnerships.

Ensure protection (particularly for compulsory products) but limit transaction-based regulatory cost.

#### How markets evolve

Microinsurance in Mexico existed long before the concept was even defined – in the form of cover of agricultural risks like floods provided by a state insurance company and loan insurance linked to microcredit. It is now important to go further in covering natural disasters, because the poorest sectors are more vulnerable to them.

In Colombia, there has been deep mistrust of the financial system since the banking crisis of ten years ago. In the face of this rancour and resentment, the starting point for regulators was to rebuild trust. The process was helped by the cooperative model, which is now considered a bona fide system to deliver banking, insurance and other financial services.

A point to keep in mind is that, in some markets, the regulator may be politically biased, and the regulations themselves could pose a threat to microinsurance.<sup>2</sup>



47 — Left to right: Craig Thorburn, the World Bank, USA; Recaredo Arias, Mexican Association of Insurers, Mexico; Roberto Borrás, Ministry of Finance, Colombia.

48 — Doubell Chamberlain, Cenfri, South Africa.

### Tiered space for microinsurance

In some cases, regulation is tiered according to certain rules defining categories or ranks for different types of providers. These tiers should be based on risk. When microinsurance began to develop, a question raised was whether a special, distinct tier needed to be set aside in regulatory regimes for this low-income-sector business.

A low regulatory burden – such as capital requirements not being onerous – makes special regulations for microinsurance unnecessary, as in Colombia. A high burden of substantial capital requirements, as in India, would mean special treatment of microinsurance.

Giving informal players a space to play allows them access to reinsurance. The regulators' job is to protect the consumer, but they should also help develop the market. They must consider the impact on development when changing regulations.

Legislation in South Africa defines microinsurance specifically and enables players to participate on an unlevel playing-field. However, in Mexico, microinsurance rules were negotiated in 2007 and took effect in 2008. The industry association was involved and consulted. There, a product-based approach, rather than defining the low-end market, was used to include the poor but not necessarily exclude the middle class.

Mexico has strict rules for mass marketing. The regulator believes that microinsurance is not a mass market but has to be delivered on a mass scale, so one has to attend to delivery channels. Thus, Mexico is allowing channels other than MFIs – through professional and employment groups, for example. The regulation also includes cooperatives but has requirements for technical reserves to build confidence in the system.

### Box 14

#### Tiered space for microinsurance: Policy issues

High entry requirements with limited enforcement capacity may unintentionally entrench informality.

Microinsurance products can be defined to be low-risk.

Tiering and graduation supports entry and formalisation.

Risk of unlevel playing fields: tiering based on low-risk product allows for level playing fields.

### Box 15

#### Regulatory approach and leadership: Issues

Regulatory approach can be

- proactive vs reactive;
- facilitative vs exclusionary.

Financial inclusion policy can

- push interventions (e.g. India, South Africa);
- pull interventions (e.g. Colombia).

The scope is limited by commercial viability.

In Colombia, success can be attributed to the industry which has encouraged microinsurance development.

Distribution has to be by insurers or intermediaries of various kinds that are monitored. There are no regimes for microinsurance on commissions and rates, but supervision is relevant.<sup>3</sup>

### Regulatory approach and leadership

Mexico believes that development needs to be natural, led by companies that are interested. It does not agree to some markets' approach: making microinsurance compulsory. There should be flexibility in distribution channels.

Colombia, too, thinks that a compulsory approach would make the relationship between the regulator and insurers perverse. Authorities should identify how to promote active participation by the industry in new niches – how they can generate a true stimulus.<sup>4</sup>

### Footnotes

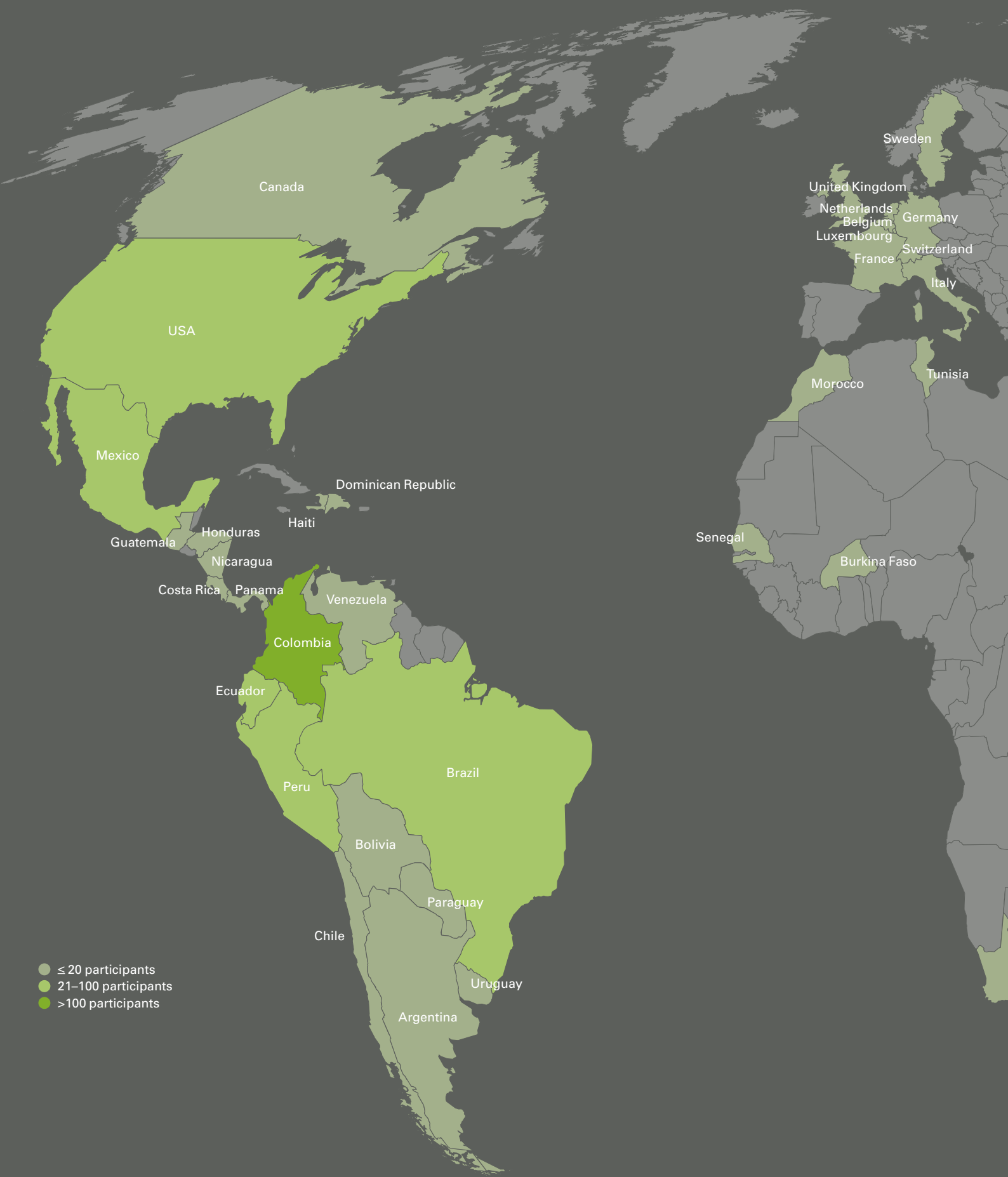
1  
The project was majority-funded by the Canadian International Development Research Centre and the Bill & Melinda Gates Foundation along with funding and technical support from the South-Africa-based FinMark Trust and the German GTZ and BMZ.

2  
Policy issues listed in Box 13 and emerging guidelines 5, 7 and 8 in Box 12 relate to the first theme, market evolution.

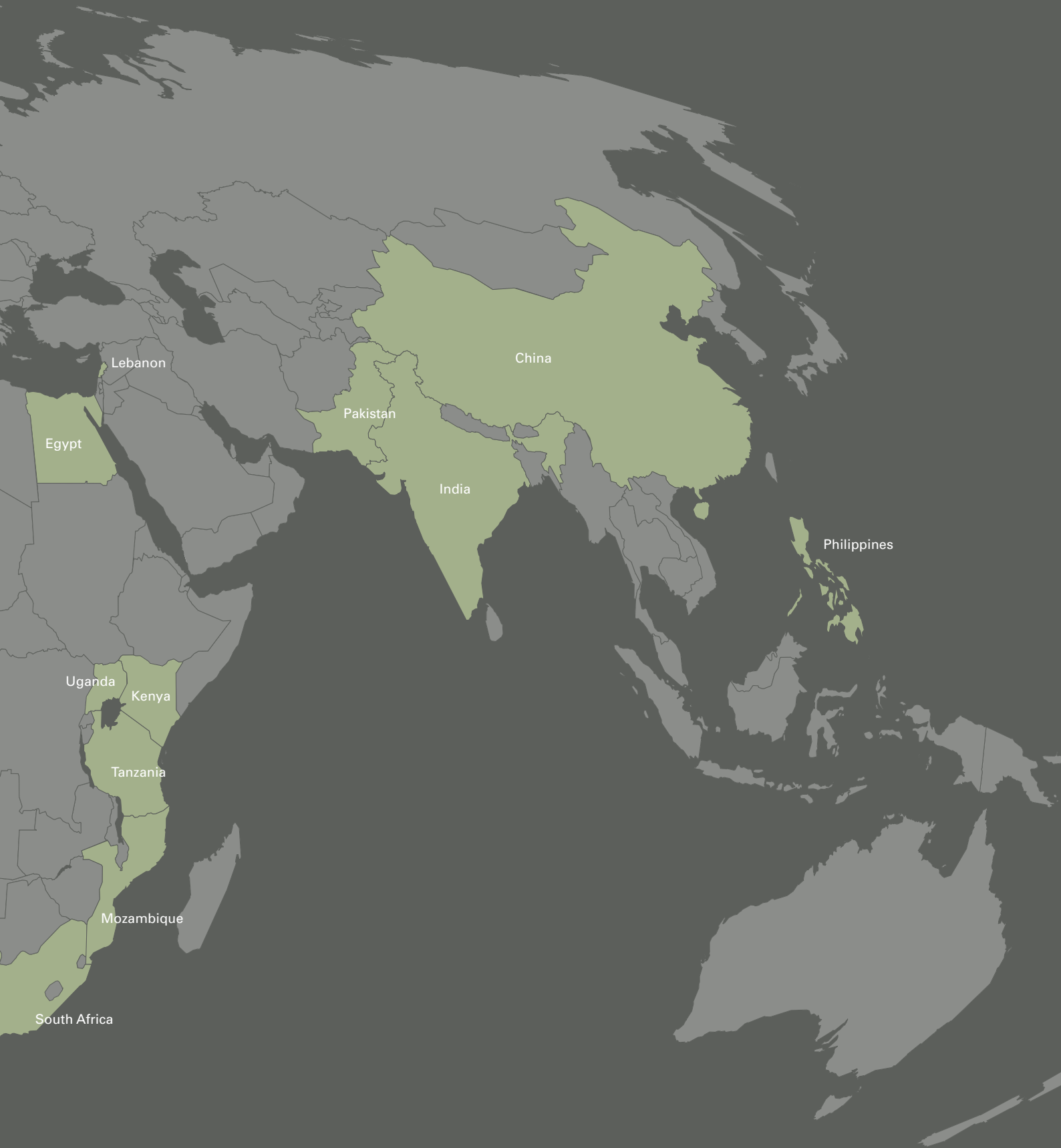
3  
Policy issues in Box 14 deal with the second theme of tiered regulation for microinsurance, as do emerging guidelines 1, 3, 4 and 6 in Box 12

4  
For policy issues on regulatory approach and leadership see Box 15 and emerging guidelines 1, 2 and 9 in Box 12.

Countries represented







## Participating organisations

<b>Argentina</b> COPAPROSE Mercado Asegurador PlaNet Finance Superintendencia de Seguros de la Nación	<b>Colombia</b> ACCION International ACE Seguros AIG Colombia Seguros de Vida AON ARD Sucursal Colombia Aseguradora Solidaria de Colombia BANCOLDEX BBVA Seguros de Vida Colombia Benfield Colombia Corredores de Reaseguros CODENSA Colmena Colseguros Compañía de Seguros de Vida Aurora Conectum Cooperativa Emprender Corporación para el Desarrollo de las Microempresas Crear Progreso DELIMA MARSH E-dentalsys FASECOLDA FINAMERICA Fonseca Sanclemente Fundación Mundial De La Mujer Bucaramanga Fundación Mundo Mujer Popayán Fundación Servicio Juvenil Programa BOSCONIA Garcés Lloreda & CIA Gestarsalud Gobernación de Bolívar Grupo Colpatria IICA INIF Inversura Iris Ltda. Corredores de Reaseguros ITACA JLT Valencia & Iragorri Corredores de Seguros Julian Serna Dever y CIA. La Equidad Seguros Liberty Seguros MAPFRE Ministerio de Agricultura y Desarrollo Rural Ministry of Finance Munich Re Muñoz Tamayo & Asociados Abogados Paralife Colombia S.A. Portafolio Previsora Seguros QBE RSA Scor Oficina de Representación en Colombia Seguros Alfa Seguros Bolívar Seguros de Vida Colpatria Seguros del Estado Sigma Dental	Soluciones Masivas Tecnológicas de Seguros Superintendencia Financiera de Colombia Suramericana de Seguros Swiss Re Transfiriendo Universidad de la Sabana Universidad de los Andes	<b>Costa Rica</b> Cordero & Cordero Abogados E-dentalsys FUNDEBASE Instituto Nacional de Seguros de Costa Rica Oikocredit Ecumenical Development Cooperativa Society SOCODEVI	<b>Dominican Republic</b> Banco Adopem MRDOM World Federation of Insurance Intermediaries	<b>Ecuador</b> Banco Solidario Colcordes Cooper Gay Corredores de Reaseguros Coris del Ecuador FOS Instituto Interamericano de Cooperación para la Agricultura Panamericana Seguros y Reaseguros Restrepo Ospina & Asociados Seguros ALAMO Seguros Alfa Seguros Colonial Seguros Oriente Survenden Ucacsur	<b>Egypt</b> Egyptian Insurance Supervisory Authority	<b>France</b> Inter Aide/Uplift India Association MACIF PlaNet Finance PlaNet Guarantee University Paris Dauphine	<b>Germany</b> BaFin GTZ Hannover Life Re Munich Re Munich Re Foundation UNU-EHS	<b>Guatemala</b> REDIMIF Seguros G&T	<b>Haiti</b> Alternative Insurance Company CGSI Consulting for Alternative Insurance Company SOGESOL	<b>Honduras</b> CHADA FACACH REDMICROH	<b>India</b> CARE India Centre for Insurance and Risk Management (IFMR) ICICI Lombard General Insurance ICICI Prudential Life Insurance Company Limited IFFCO Tokio General Insurance Co. Ltd IRDA Micro Insurance Academy	<b>Italy</b> IFAD	<b>Kenya</b> Cooperative Insurance Company National Hospital Insurance Fund Swedish Cooperative Centre	<b>Lebanon</b> Commercial Insurance ADA	<b>Mexico</b> Asociación Mexicana de Instituciones de Seguros Asociación Mexicana de Uniones de Credito del Sector Social Centro Inter de Servicios Compartamos Banco Gen Re Grupo Nacional Provincial HIR Seguros MFN OdysseyRe Seguros Argos Seguros Azteca Sesma, Sesma and McNeese	<b>Morocco</b> WAFA Assurance	<b>Mozambique</b> National Institute for Disaster Management PRO-GRC	<b>Netherlands</b> Michiel Berende Consultancy Microfinance Partners Oxfam Novib	<b>Nicaragua</b> Asociación para el Fomento al Desarrollo de Nicaragua Fondo de Cooperación al Desarrollo INISER	<b>Pakistan</b> First MicroInsurance Agency	<b>Panama</b> Banco Delta Embajada de Colombia en Panamá Fundación Capital Microserfin QBE del Istmo Cia de Reaseguros	<b>Paraguay</b> Aseguradora Tajy Seguridad Compañía de Seguros	<b>Peru</b> ADRA Peru APESEG Asociación Benéfica PRISMA COPEME FORO LAC FR Fundación BBVA Interseguro Compañía de Seguros de Vida La Positiva Seguros y Reaseguros La Protectora MAPFRE Mariátegui JLT Corredores de Seguros Pacífico Peruano Suiza Cia. de Seguros QBE Rimac Seguros Superintendencia de Banca, Seguros y AFP	<b>Philippines</b> TSPI Mutual Benefit Association	<b>Senegal</b> ILO	<b>South Africa</b> Cenfri FinMark Trust Hollard Insurance Mutual & Federal Insurance Company Limited Quindiem Consulting SAIA	<b>Sweden</b> Uppsala University	<b>Switzerland</b> AKAM BlueOrchard Finance IBEX Project Services ILO IAIS Microinsurance Innovation Facility UNEP FI Zurich Financial Services	<b>Tanzania</b> First Microinsurance Agency	<b>Tunisia</b> Enda Inter-Arabe	<b>Uganda</b> Microcare	<b>United Kingdom</b> Benfield MicroEnsure	<b>Uruguay</b> ACYM Network	<b>USA</b> Abt Associates Acción International Actuarial Worksite Marketing Services Barnert Global Bill & Melinda Gates Foundation CGAP Colorado State University CUNA Mutual Group EA Consultants Financial Access Initiative Freedom From Hunger Frontier Finance International Georgetown University Georgia Department of Insurance GlobalAgRisk ICS Solutions IDB MicroEnsure Microfinance Opportunities MicroInsurance Centre Risk Management Solutions Swiss Re Financial Services Swiss Reinsurance America Corporation Unitus University of California, Davis USAID Women's World Banking The World Bank	<b>Venezuela</b> A.C. Banauge Banescor Seguros CAV CESAP FIDENS Multinacional de seguros Munich Re Seguros Carabobo Sigma Dental Zurich Seguros
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# Acronyms

<b>ACYM</b> América Cooperativa y Mutual	<b>FONDEN</b> Fondo de Desastres Naturales (Fund for Natural Disasters, Mexico)	<b>MSS</b> La mutuelle de sécurité sociale du Bénin	© 2009 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
<b>ADA</b> Appui au développement autonome	<b>G8</b> Group of Eight	<b>NASFAM</b> National Smallholder Farmers' Association of Malawi	Order number 302-06092
<b>AFP</b> Administradoras Privadas de Fondos de Pensiones	<b>GDP</b> Gross domestic product	<b>NGO</b> Non-governmental organisation	Contact Dirk Reinhard dreinhard@munichre-foundation.org
<b>AIC</b> Alternative Insurance Company	<b>GPS</b> Global positioning system	<b>NOAA</b> National Oceanic and Atmospheric Administration	Design Keller Maurer Design, Munich
<b>AKAM</b> Aga Khan Agency for Microfinance	<b>GTZ</b> Deutsche Gesellschaft für Technische Zusammenarbeit	<b>OMFED</b> Orissa State Cooperative Milk Producers' Federation	Lithography Eichmann & Köppl, Munich
<b>AMUCSS</b> Asociación Mexicana de Uniones de Crédito del Sector Social	<b>HMIS</b> Health mutual insurance scheme	<b>OPD</b> Outpatient department	Printed by Color-Offset GmbH Geretsrieder Strasse 10 81379 Munich, Germany
<b>BANCOLDEX</b> Banco de Comercio Exterior de Colombia	<b>IAIS</b> International Association of Insurance Supervisors	<b>PASI</b> Plan de asistencia social inmediata	
<b>Bn</b> Billion	<b>ICETEX</b> Instituto Colombiano de Crédito y Estudios Técnicos en el Exterior	<b>PRONAFIM</b> Programa Nacional de Financiamiento al Microempresario	
<b>BoP</b> Bottom of the pyramid	<b>ICICI</b> Industrial Credit and Investment Corporation of India	<b>RSBY</b> Rashtriya Swasthya Bima Yojana	
<b>BPL</b> Below poverty line	<b>ICMIF</b> International Cooperative and Mutual Insurance Federation	<b>SAIA</b> South African Insurance Association	
<b>CBOs</b> Community based organisations	<b>ICPs</b> Insurance core principles	<b>SENA</b> Servicio Nacional de Aprendizaje	
<b>CCT</b> Conditional cash transfer	<b>IDB</b> Inter-American Development Bank	<b>SISBEN</b> Sistema de identificación de potenciales beneficiarios de programas sociales	
<b>Cenfri</b> Centre for Financial Regulation and Inclusion	<b>ILO</b> International Labour Organization	<b>STEP</b> Strategies and Tools against social Exclusion and Poverty	
<b>Centro AFIN</b> Centro Internacional de Apoyo a las Innovaciones Financieras	<b>IMF</b> International Monetary Fund	<b>TPAs</b> Third-party administrators	
<b>CGAP</b> Consultative Group to Assist the Poor	<b>INR</b> Indian rupee	<b>UM-PAMECAS</b> Union des Mutuelles du Partenariat pour la Mobilisation de l'Épargne et du Crédit au Sénégal	
<b>CHAT</b> Choosing a Health Plan All Together	<b>IRDA</b> Insurance Regulatory and Development Authority	<b>USGS</b> United States Geological Survey	
<b>CIDRE</b> Centro de Investigación y Desarrollo Regional	<b>IT</b> Information technology	<b>USS</b> United States dollar	
<b>COP</b> Colombian peso	<b>LARG</b> Latin American Reinsurance Group	<b>WFP</b> World Food Programme	
<b>ESS</b> Empresas solidarias de salud	<b>m</b> Million		
<b>FASECOLDA</b> Federación de Aseguradores Colombianos	<b>MAMP</b> Moving average multi-phase		
<b>FMMB</b> Fundación Mundial de la Mujer Bucaramanga	<b>MFI</b> Microfinance institution		
	<b>MIA</b> Micro Insurance Academy		

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Only when we measure the magnitude of recurrent tragedies caused by floods, droughts, avalanches, etc. do we see a great horizon for tackling the subject of microinsurance. This has to be done from the heart but without any spirit of charity; doing this from the heart can result in good business for everyone.

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Álvaro Uribe, President of Colombia

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