



Report

6th International Microinsurance Conference 2010
Making insurance work for the poor

9–11 November 2010
Manila, Philippines

Edited by
Zahid Qureshi and Dirk Reinhard

Contents

| | | | | | |
|----|---|----|--|----|---|
| 1 | Acknowledgements | 18 | Agenda Day 2 morning sessions | 50 | Agenda Day 3 morning sessions |
| 2 | Agenda Day 1 morning sessions Pre-conference seminars | 19 | Parallel session 1 Developing national micro- insurance strategies – The example of the Philippines | 51 | Parallel session 9 Driving down cost – Process- mapping to increase efficiency in microinsurance processes |
| 3 | Pre-conference seminar 1 Access to insurance – Policy seminar for regulators and supervisors | 22 | Parallel session 2 Academic track – Demand issues | 54 | Parallel session 10 Developing national micro- insurance strategies |
| 5 | Pre-conference seminar 2 Performance indicators | 24 | Parallel session 3 Case studies – Agriculture | 57 | Parallel session 11 Academic track – Impact on microinsurance |
| 9 | Agenda Day 1 afternoon sessions | 27 | Parallel session 4 Workshop – Introduction to good practice in microinsurance | 59 | Parallel session 12 Social performance indicators for microinsurance |
| 10 | Introduction and welcome addresses | 29 | Plenary 2 Round table – Responses from the private sector in the Philippines | 62 | Plenary 3 Academic track – Do the poor benefit from insurance? |
| 12 | Keynote speech | 32 | Agenda Day 2 afternoon sessions | 66 | Agenda Day 3 afternoon sessions |
| 14 | Plenary 1 Institutional options for achieving scale and profitability – Lessons from the Philippines | 33 | Parallel session 5 New distribution channels | 67 | Parallel session 13 Case studies – Health |
| | | 38 | Parallel session 6 Protecting the poor against natural disasters | 70 | Parallel session 14 Claims handling |
| | | 43 | Parallel session 7 Client education – Insurance literacy | 74 | Parallel session 15 Academic track – Contract design issues |
| | | 46 | Parallel session 8 Life insurance | 76 | Parallel session 16 Monitoring microinsurance trends globally |
| | | | | 79 | Plenary 4 Round table – Is there profit in serving the underserved? |
| | | | | 82 | Field trips |
| | | | | 84 | Countries represented |
| | | | | 86 | Participating organisations |
| | | | | 88 | Acronyms |
| | | | | 89 | Outlook on Brazil, the host country of the 7th International Microinsurance Conference 2011 |

Conference documents and
presentations
are available online at:
www.microinsuranceconference.org/2010

Links:

Munich Re Foundation
www.munichre-foundation.org

Microinsurance Network
www.microinsurancenet.org

Acknowledgements

This report is a summary of the 6th International Microinsurance Conference that took place in Manila, Philippines, from 9–11 November 2010. The Conference was hosted by the Munich Re Foundation and the Microinsurance Network and supported by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the German Federal Department for Economic Cooperation and Development (BMZ), the Department of Finance of the Philippines, and Georgia State University's Center for the Economic Analysis of Risk.

The Philippines is a unique country in the world of microinsurance. It has a huge diversity of stakeholders, models and products, operating together to achieve scale and sustainability. With approximately 2.9 million microinsurance clients so far, further effort is required to reach an additional 35 million potential clients. The conference made clear again how committed the government of the Philippines is to providing the best possible support and this commitment was commended throughout the conference. The Philippines is not only a front-runner in the industry, it also acts as a role model for other countries.

The organisers would like to thank the Department of Finance for its outstanding support for this event. The conference was honoured by the presence of Cesar V. Purisima, Secretary of Finance of the Philippines, during the opening session. The Deputy Insurance Commissioner, Vida Chiong, paved the way to getting each and every important microinsurance player in the Philippines on board, and Itoy Almario, member of the National Credit Council, worked tirelessly behind the scenes to make this event a true success.

For three days, over 80 speakers and facilitators discussed innovative and sustainable microinsurance programmes, illustrated by the latest case studies and research results. More than 15 countries were also represented through the regulatory bodies of the insurance industry. This clearly signals the increasing commitment of insurance supervisors to supporting the development of inclusive insurance markets, which may include specific microinsurance regulations facilitated by the International Association of Insurance Supervisors (IAIS) and the Access to Insurance Initiative (a2ii).

A key objective of the International Microinsurance Conference is the sharing of experience across continents and discussing current practices and lessons learnt. The many plenary discussions and parallel sessions would not have been possible without the contributions of the speakers and facilitators from around the world. We would like to thank all of them for their willingness to share their knowledge. Our thanks go also to the 520 participants from 50 countries for contributing their comments and questions and making the discussions lively and thought-provoking. On behalf of the organisers, we would like to thank members of the conference steering committee. Without their work to identify suitable speakers and presentations from the 130 submissions that were received during the preparations for the conference, this event would not have been possible.

A special thank-you goes to the team of rapporteurs – Andrea Camargo, Marie-Amandine Coydon, Martin Herrndorf and Sameen Sahid, led by Zahid Qureshi – for helping us gather and document points made and

lessons drawn in various sessions of the 2010 conference. They have done a terrific job summarising the content and key messages of the speakers' presentations and the different views and opinions expressed during the discussions of the various sessions in a neutral manner. As the style of the sessions changes, so does the style of the individual summaries. Readers, authors and organisers may not share all opinions expressed or recommendations given – but these reflect the rich diversity of the discussions.

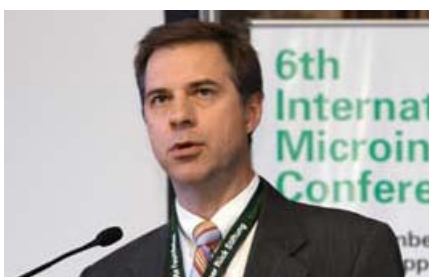
A conference of such magnitude needs a lot of people working behind the scenes. The organisation team – Martina Mayerhofer, Christian Barthelt and Petra Hinteramskogler – again did an amazing job to organise a very special conference. We would also like to thank the secretariat of the Microinsurance Network – Véronique Faber, Coralie Zacchino and Matthew Genazini – for their support in communication and evaluation of the International Microinsurance Conference.

The 2010 event was the largest conference on microinsurance ever. It has raised the bar substantially for future events. The conference organisers are highly motivated to take on this challenge and to make the 7th International Microinsurance Conference that will take place from 8–10 November 2011 in Rio de Janeiro an even better event.

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

Craig Churchill, ILO/Microinsurance Innovation Facility, Switzerland, Chairman of the Microinsurance Network

Munich and Geneva, April 2011



1



2

1 — Craig Churchill, ILO/Microinsurance Innovation Facility, Switzerland, Chairman of the Microinsurance Network.

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

Agenda

Day 1 morning sessions 9 November 2010

Pre-conference seminar 1

Access to insurance – Policy seminar for regulators and supervisors

Hosted by IAIS,
Microinsurance Network,
Access to Insurance Initiative

Vida Chiong
Deputy Insurance Commissioner,
Insurance Commission,
Philippines

G. Prabhakara
Member, Life, IRDA, India

Martina Wiedmaier-Pfister
Consultant to GIZ/BMZ Germany

Joselito Almario
Deputy Executive Director,
National Credit Council/Depart-
ment of Finance, Philippines

Jacky Huma
Head of Department – Insurance
Compliance, Financial Services
Board, South Africa

Regina L. G. Simoes
Technical Analyst –
Market Information Division,
SUSEP, Brazil

Renata de Leers
Head of Actuarial Department
National Insurance Commission,
Ghana

Sen-Kai Yang
Officer- Insurance Bureau,
Financial Supervisory
Commission, Chinese Taipei

Maya Makanjee
CEO, FinMark Trust, South Africa

Facilitators
Craig Thorburn
Policy Advisory Consultant,
World Bank, USA

Doubell Chamberlain
Managing Director, Cenfri,
South Africa

Pre-conference seminar 2

Performance indicators

Hosted by the Microinsurance
Network Performance
Indicators Working Group

Facilitators
Bert Opdebeeck
Microinsurance Programme
Coordinator, Belgian Raiffeisen
Foundation, Belgium

Denis Garand
President, Denis Garand and
Assoc., Canada

Pre-conference seminar 1

Access to insurance – Policy seminar for regulators and supervisors

“On behalf of PNG Insurance Regulator’s Office, I see a great need for developing a microinsurance market with the support of renowned organisations, MI service providers and donor aid agencies, and the approval of the government authorities. The Office of the Insurance Commissioner is supporting and promoting microinsurance activities in Papua New Guinea as this is the way forward to improve the lives of low-income earners and the poor population.”

Ludwig Repo, Deputy Insurance Commissioner, Papua New Guinea

During the conference closing session, the participants were asked to e-mail some immediate feedback to the conference organisers. Selected quotes from that feedback are listed throughout this report.

As part of the conference, the Access to Insurance Initiative (a2ii) hosted a seminar for senior insurance sector policymakers, regulators and supervisors. It was attended by 55 representatives from 20 countries, as well as a number of members of the Joint Working Group of the International Association of Insurance Supervisors (IAIS) and the Microinsurance Network.

The seminar focused on two key issues policymakers face as they move forward with actions to improve access to insurance markets in their efforts to combat poverty: formalising the informal, and facilitating outreach and innovation by formal players. Each issue was addressed through a facilitated discussion among panel members as well as open discussion among all participants where key country experiences were shared and discussed.

Formalising the informal

Implementing a sound supervision regime can include the challenge of finding the way from a potentially large number of informal providers towards a more formal system. The session looked at this challenge through the experiences of the Philippines and South Africa. Both countries are looking to find a balance, developing reasonable transitional arrangements and recognising the need to consider access to services, with the aim of ensuring that these services are valuable and can be expected to keep the promises made to customers. In each case, it is perceived as important to provide informal providers with a pathway – or more than one – to a more effective business structure and operation.

In the Philippines, recent regulatory and policy reforms have highlighted the large number of entities that can benefit from adopting one of a range of models, from the partner-agent model to the provision of insurance through microinsurance MBAs or other suitable structures.

3 — Left to right: Joselito Almario, Department of Finance, Philippines; G. Prabakhara, IRDA, India; Martina Wiedmaier-Pfister, consultant to GIZ/BMZ, Germany.

4 — Left to right: Regina L. G. Simoes, SUSEP, Brazil; Renata de Leers, National Insurance Commission, Ghana; Sen-Kai Yang, Financial Supervisory Commission, Taiwan; Doubell Chamberlain, CENFRI, South Africa.

5 — Jacky Huma, Financial Services Board, South Africa.

6 — Craig Thorburn, World Bank, USA.



3



4



5



6

Pre-conference seminar 1
Access to insurance –
Policy seminar for
regulators and supervisors

In South Africa, a significant proportion of the population has been covered by funeral providers that will also have options to formalise, either focusing on distribution functions or as risk carriers through a concessional arrangement with transitional plans. In each case, the emphasis of the regulatory changes is on consumer protection and the system was developed with extensive public communication programmes with the sector participants.

Experts from the World Bank and the Consultative Group to Assist the Poor (CGAP) noted that the formalisation question is important for many jurisdictions as they move ahead with more proactive or explicit approaches to access issues in their regulation and supervision. The IAIS is looking at drafting standards and guidance that will include this issue as part of their review as well, so the seminar discussion was beneficial as input to the IAIS processes.

Facilitating outreach and innovation

The second part of the seminar focused on the role of policymakers, regulators and supervisors in catalysing outreach and innovation by existing insurers.

Contributions from the insurance supervisors from Brazil, Chinese Taipei and Ghana highlighted a range of ways that governments, directly and through the actions of insurance supervisors, can encourage innovation and action where it might otherwise have been dormant.

In Chinese Taipei, efforts to catalyse outreach are recent and microinsurance business is developing steadily. The Commission's Insurance Bureau created a defined regulatory space for micro life and personal accident policies and provided administrative incentives and public recognition to motivate players to approach the less well-served segments of the market.

Ghana is facing a challenge to facilitate outreach with an industry that is relatively weak yet already growing rapidly (including in microinsurance). The National Insurance Commission (NIC) notes that microinsurance is a realistic, simpler starting product for the market to use as a basis to evolve. A recent policy paper issued by the NIC lays down the framework to be adopted, which will form the basis for integrating microinsurance into the new insurance regulatory framework as a specific business line.

Brazil's Superintendência de Seguros Privados (SUSEP) started with initiatives to catalyse outreach as early as 2004, though initially with limited success. Learning from this experience, SUSEP initiated research projects as well as widespread engagement with public and private stakeholders. It plans to introduce regulatory changes that will permit the 106,000 correspondent banking agents to be used for microinsurance.

Lessons learnt

- Government action for a sound microinsurance market development is key, and the formalisation question is important.
- It is often necessary for the supervisor to lead on raising awareness among all stakeholders and play a coordinating role.
- Much of the impact in terms of catalysing outreach was achieved by raising awareness, long before regulatory changes were made or specific actions taken.
- Regulatory action needs to be tailored to the domestic environment and take account of market realities.
- Regulators must be able to monitor the impact of changes and adapt their strategy.

About the Access to Insurance Initiative

The Access to Insurance Initiative is a global partnership of insurance supervisors and development agencies. The Initiative is designed to increase voluntary usage of suitable insurance products.

www.access-to-insurance.org

Pre-conference seminar 2

Performance indicators

“A low coverage ratio measuring the total population may not be problematic if the real target is a subsection. To achieve efficiency, a microinsurer should try to reach a high coverage ratio for its targeted population.”

Performance Indicators Working Group of the Microinsurance Network

This seminar was hosted by the Microinsurance Network’s Performance Indicators Working Group. Key financial performance indicators can be applied to schemes offering different types of insurance – including life, non-life, health and agriculture – and for insurers with different background and governance structures – limited companies or mutuals. They allow insurers to systematically look at their progress – and compare themselves to others in the market in a transparent way.

Application support

To support the indicators, a handbook and spreadsheet are available for public use on www.microfact.org. The microinsurance factsheet enables the information necessary to be captured to calculate performance indicators with the help of graphic presentations.

To make sure that there is “no excuse for not coming up with the indicators”, Appui au Développement Autonome (ADA) and Belgian Raiffeisen Foundation (BRS) also offer workshops and direct implementation support to microinsurers in collaboration with GIZ. Experience from these workshops has confirmed again and again that transparency and systematic analysis help improve operations in microinsurance schemes, making them more relevant for clients and more stable over the long term.

Key principles

There are nine principles in three categories that provide qualitative guidance for running and monitoring microinsurance programmes (see Table 1). They underpin performance measurement as well as good management.

Table 1
Nine performance principles

| | |
|--|--|
| Good accounting practices | Separation of data |
| | Production of financial statements |
| Good insurance management practices | Relevant and accurate data |
| | Calculation and set-up of reserves |
| | Efficient and continuous claims monitoring |
| Good organisational practices | Clear investment policy |
| | Technical insurance capacity |
| | Transparency |
| | Client focus |



7



8

7 — Bert Opdebeeck, Belgian Raiffeisen Foundation, Belgium.

8 — Denis Garand, Denis Garand and Assoc., Canada.

Pre-conference seminar 2
Performance indicators

Good accounting practices are key to evaluating the success of micro-insurance programmes. Consider the case of American International Group, now Chartis (AIG) in Uganda. It had a large microinsurance programme there, but no idea of its profitability, as it could not separate microinsurance data from its mainstream operations. It was able to determine profitability only after **separating the data** appropriately. Based on data, companies should produce reliable **financial statements** – where is money coming in, where is it going out? This should be done from a client perspective – if a client pays 100 pesos in premium, where does it go?

Good insurance management practices go beyond accounting principles. Again, **relevant and accurate data** are key to management – capturing the right information without taking the risk of collecting excessive data that are then not put to appropriate use. **Calculating and setting up reserves** is especially relevant for schemes that build up capital (like a savings scheme), or that insure clients for a specified time (e.g. a year) based on a one-off payment. Also, companies need to carefully **monitor claims** – some may be “incurred but not reported” (IBNR), others may be “claims in course of settlement” (CICS). Association d’Entraide des Femmes (AssEF Benin), a mutual health programme, monitored its claims in real time – and discovered high claims payments due to community clinics providing more services than necessary to insured clients. As the problem was detected early on, it was possible to address it easily and quickly. On the assets side, a **clear investment policy** can help assure a prudent, diversified match to liabilities occurring in the future.

Good organisational principles are important at various levels. **Technical insurance capacity** requires a company to be not only sufficiently capitalised, but also have sound pricing methods and good information systems and databases. For clients, regulators and other stakeholders, **transparency** is important – especially for low-income clients who must have relevant and easily understandable materials in their own dialect or local language. Transparency also facilitates regular external audits required by law to prevent fraud and other governance problems.

As a last principle, a **client focus** should be taken in all operational aspects: what levels of claims and expense ratios are appropriate, and what kind of return can companies expect on microinsurance? It can be difficult to justify classic expectations of a 20% return on equity (ROE) when taking into account the eventual value provided to microinsurance clients.

Key indicators

A list of ten quantitative indicators in four categories has been established to evaluate the status and progress of microinsurance programmes (see Table 2).

Table 2
Ten key performance indicators

| | |
|--|---------------------------------|
| Product awareness and client satisfaction | Coverage ratio |
| | Growth ratio |
| | Renewal ratio |
| Service quality | Promptness of claims settlement |
| | Claims rejection ratio |
| Product value | Incurred expense ratio |
| | Incurred claims ratio |
| | Net income ratio |
| Financial prudence | Solvency ratio |
| | Liquidity ratio |

Product awareness and client satisfaction can be assessed with three indicators: the **coverage ratio** of programmes, the **growth rate** of the programme, and the **renewal ratio**.

Similarly, **renewal ratios** in compulsory programmes linked to credit might be low due to credit drop-outs – though this may not be indicative of a problem with the insurance product itself. For a voluntary, continuously offered product on the other hand, low renewals could point to an irrelevant or excessively complex product, or to over-selling during the initial client acquisition.

In a related way, **service quality** can be assessed by measuring the **promptness of claims settlement** and the **claims rejection ratio**. For the first measure, the client perspective is important again. While many insurers settle claims within 24 hours, this mostly only covers the period from receipt of complete documentation until disbursement of the money (sometimes only to the distribution channel partner). As obtaining a death certificate takes months in some countries or distribution channels take months to finally pay claims to end-clients, the whole process from incident to claims settlement can still be unduly long for clients.

The claims rejection ratio can also be driven by different factors – excessively complex products, lack of education and marketing efforts or mis-selling would all give rise to concern, while the detection of fraudulent claims shows that the mechanisms in place are working.

Product value is assessed through the **incurred expense ratio**, the **incurred claims ratio** and the **net income ratio** resulting from the former two.

Expense ratios should reflect the “full cost” of doing microinsurance – including commission payments to partners or shared overhead costs. Both for financial stability and for client value, expenses should be kept low, depending on the type of insurance scheme.

The claims ratio is more complex – low claims ratios are clearly beneficial for the financial viability of schemes, while they can also indicate low client value. Even from a purely commercial perspective, very low claims ratios can cause competitors to enter the market. They could also indicate that clients are not aware of their cover, especially in compulsory schemes, which can lead to reputation damage or action by regulators.

The net income ratio shows how much money is made (or lost) on a microinsurance scheme.

Finally, **financial prudence** is assessed through the **solvency ratio** and the **liquidity ratio**.

Solvency is concerned with financial viability over the long term – are assets available to cover liabilities that will arise in the future? Solvency issues are also relevant from a sector perspective, as the failure of insurers can reduce public confidence in the system, which is why they must be subject to regulatory supervision.

Liquidity is concerned with the short-term availability of money to pay claims promptly. Some assets, like property, might be difficult to sell in the short term, which can pose a problem when claims need to be paid.

All of these indicators are interlinked. High renewals might result from strong product value and service quality, but are also important for maintaining a high growth rate and, by reducing marketing costs, a low expense ratio. A high claims rejection ratio can drive up expenses (for claims assessors) and reduce future renewal and growth ratios. It might also lower claim settlement time – where claims are rejected immediately.

Lessons learnt

- Financial performance indicators are important to help managers of the scheme better understand their business.
- Monitoring key performance indicators and trends enables problems to be identified early on and swift action to be taken before they escalate.
- All those involved in microinsurance can begin with the indicators using the tools provided by www.microfact.org. Indicators should be calculated from the outset, at the business planning stage and from the inception of the scheme.
- The main challenge in calculating relevant indicators is inability to separate data.
- The indicators are interdependent and influence one another. They should be interpreted taking into account the full picture, not just isolated aspects.

See page 59 for a related report on parallel session 12 “social performance indicators for microinsurance”.

“One of the many good things about this conference is that it is able to clearly demonstrate that microinsurance is another tool that can be mainstreamed to lessen the vulnerability of the poor.”

Irene B. Fernandez, Programme Officer, INAFI, Philippines

9 — For the second time at the International Microinsurance Conference, a special policy seminar on regulation and supervision was held in Manila. No less than 15 countries were represented through high level representatives of the regulatory bodies of the insurance industry.

10 — Over 30 journalists attended the press conference held by the Munich Re Foundation, the Department of Finance, the Microinsurance Network and GIZ.

11, 12 — Among the 15 organisations that presented their work in the exhibition space was the India-based Microinsurance Academy (left) as well as the Access to Insurance Initiative (right).

13 — 520 participants from 50 countries attended the 6th International Microinsurance Conference – the largest microinsurance conference ever.



9



10



11



12



13

Agenda

Day 1 afternoon sessions 9 November 2010

Opening

Welcome address

Craig Churchill
ILO/Microinsurance Innovation
Facility, Switzerland, Chairman
of the Microinsurance Network

Thomas Loster
Chairman, Munich Re
Foundation, Germany

Keynote speech
Cesar V. Purisima
Secretary of Finance,
Philippines

Plenary 1

Institutional options for achieving scale and profitability – Lessons from the Philippines

Jaime Aristotle Alip
Chairman Emeritus,
RIMANSI, Philippines
Cooperative model

Richard Leftley
President and CEO,
MicroEnsure, UK
Broker model

Geraldine Desiderio-Garcia
Senior Vice President and
General Manager, Country
Bankers Insurance Corporation,
Philippines
Partner-agent model

Lourdes Irene Minoza
PhilHealth, Philippines
Extending public insurance
schemes to the low-income
sector

Facilitator
Doubell Chamberlain
Managing Director, Cenfri,
South Africa

Introduction and welcome addresses

In a setting described as near-perfect, the 6th International Microinsurance Conference brought 520 participants from 50 countries – the largest number yet – to Manila to share information, knowledge and experience in the field and help chart the course for further development of insurance services for low-income families.

What attracted the annual forum to the Philippines is its billing as one of the top three microinsurance markets, along with India and South Africa. It is driven by a productive partnership between the public and private sectors, participative involvement of stakeholders in the informal as well as formal economy, and a judicious use of a firm microfinance base as a springboard for microinsurance. **The Philippines' track record in microinsurance is marked by harmonisation of a variety of approaches, products and distribution channels – all founded on what is seldom acknowledged in development circles as a critical success factor: respect for the poor.** And the way forward shows, as one organiser put it, "no fear of tackling difficult lines such as index-based insurance to deal with the new challenges of climate change and natural disasters".

"The Philippines is prone to natural disasters and merely making micro-credit available is not enough to improve the lives of people", said Secretary of Finance Cesar V. Purisima in the keynote speech on behalf of President Benigno Aquino. **"For those engaged in agriculture and other livelihoods related to it, a typhoon can destroy a life's work and set them back to where they began. Establishing safety nets through microinsurance will help us break this cycle of poverty. After all, breaking the cycle of poverty will be the true measure of success of any government."**

For the better part of a week in Manila delegates had much to learn, much to examine and explore, and much to take back home from the microinsurance landscape of the Philippines.

**Table 3
Microinsurance market
in the Philippines**

| Microinsurance market | Estimate (millions) |
|--|---------------------|
| Microfinance clients of rural banks with credit life insurance | 0.84 |
| Members of microinsurance MBAs | 0.55 |
| Microinsurance provision outside the MFI market | 0.31 |
| Total formal | 1.70 |
| Informal estimate: 50% of members of financial cooperatives | 1.20 |
| Total market (millions) | 2.90 |
| Adult population, 2007 (millions) | 54.10 |
| Total microinsurance market share in adult population | 5.4% |
| Formal microinsurance market share in adult population | 3.1% |

Source: Gilberto M. Llanto, Piedad S. Geron, Joselito S. Almario (2008). Brochure "The microinsurance landscape of the Philippines". Published by GIZ MIPSS, Manila 2010



14 — Craig Churchill, ILO/Microinsurance Innovation Facility, Switzerland (left), and Thomas Loster, Munich Re Foundation, Germany handing over a copy of the "Microinsurance Compendium" to Cesar V. Purisima, Secretary of Finance, Philippines.

Thomas Loster, Chairman of Munich Re Foundation, welcomed delegates to the conference, which aimed to give them a first-hand look at “the unique position of the Philippines in developing a broad-based framework for microinsurance”.

Recent natural disasters in Pakistan and the Philippines once again underscored the need to spread insurance protection more widely, he said.

That may be one of the reasons for three of the ten points in the Communiqué of the Meeting of G20 Finance Ministers and Central Bank Governors – held in Gyeongju, Korea, on 23 October 2010 – referring to finance and insurance, specifically

- “to promote inclusive and sustainable economic growth and resilience in developing countries”;
- “to improve access to financial services for the poor and SMEs”;
- “to maximise the impact of the work on financial inclusion and enhance coordination amongst different initiatives and stakeholders”.

“Microinsurance conferences, which the Munich Re Foundation has held annually since 2005, have contributed to these objectives”, he added.

In his opening remarks, Craig Churchill, Chairman of the Microinsurance Network, also referred to the G20 meeting and the nine principles it has developed to promote financial inclusion. Towards this end, the Network is working with the IAIS on the Access to Insurance Initiative to help expand services to low-income clients, he said. “The microinsurance industry is facing two key questions”, he added. “First, is the provision of insurance to low-income households viable or profitable? That question will be addressed during the final plenary. And second, do low-income households benefit from their insurance coverage? That is a more difficult question to answer, but Plenary 3 will attempt to provide some preliminary insights.”

Taking part in 22 sessions, delegates also had much to share from their own perspectives. They represented a broad spectrum of involvement in the sector: insurers and reinsurers, development-aid agencies and other international organisations, regulators and supervisors, policy-makers, NGOs, academics, technical experts and consultants. Some 80 speakers and facilitators tackled case studies and academic research on innovative and sustainable microinsurance programmes and products, focusing on new distribution channels, claims-handling mechanisms, enabling the environment to nurture microinsurance, solutions for natural disasters, and insurance literacy.

Keynote speech ¹

Cesar V. Purisima,
Secretary of Finance,
Philippines

To everyone who has flown in from abroad – I understand that there are citizens from 50 different countries here who have come from as far afield as Europe, Latin America and Africa – I'd like to convey the warmest welcome from our president, President Benigno Simeon Aquino. Unfortunately, because of his tight schedule, he could not be here to personally welcome you to the Philippines.

You have probably read that we have some of the nicest beaches in the Philippines. You have also probably read that the Filipinos are some of the warmest people on earth and that is probably also part of the reason you have all come here. And finally, you have probably read that we're second among 55 countries in terms of micro-finance penetration and that's also a reason why you're here.

Thank you to the organisers for organising the conference here in the Philippines. It's an honour to be among the hosts.

The president's mother, Mrs. Corazon Aquino, led a people power revolution in 1986 that toppled a dictatorship. After her presidency, she said that true people power is not just attaining political freedom or the right to vote. True people power to her is for people to attain true economic freedom. That's why after her presidency she launched a movement called *Pinoy Me* that organised microfinance institutions and facilitated the granting of micro-credit to the poorest of the poor in the Philippines.

The aim of President Aquino's programme is to alleviate poverty in the Philippines and continue the task that his mother was not able to complete. To this end, we intend to accelerate the growth of the country by addressing the three things that have held it back for many years in the past: corruption, red tape and incorrect policies, and an infrastructure gap that has widened between us and our competitor countries.

He also realises that the poorest of the poor cannot wait for the trickle-down effects of economic growth. That's why, as a key part of his agenda, he has increased the Conditional Cash Transfer programme that supports the poorest of the poor families in the country. We estimate that there are about 4.6 million poor families in our country. With the programme, we will be covering 2.1 million of these poor families and we will be giving them cash transfers on the condition that they keep their children in school and that they bring them to health centres so they will have a chance to live healthy lives in the future.

President Aquino sees this as an investment in the future of the country. One of the assets of the Philippines is actually our demography. I have just come from the meeting of the Finance Ministers of Asia-Pacific Economic Cooperation (APEC) in Kyoto and one of the issues raised by some of the participants there is the ageing population in their countries. I told them that in the Philippines, by contrast, we have a young population and our challenge is how to invest in them – to make sure they become productive participants in our economy in the future when they come of age.

The challenge of the Aquino administration and this government in general is how to make the growth of our economy more inclusive. To this end, the microfinance initiative and microinsurance initiative are going to play a big role in helping reach out to the poorest of the poor. We need to break this vicious cycle of poverty. So the approach would have to be at the macro-level and also at the micro-level where we realise that we are being blessed.

We are happy to report that, at the micro-finance level, the Philippines is considered one of the leaders. In a survey of 55 countries, the Philippines was ranked second in terms of success in reaching out to the poor in providing micro-finance.

Small business and microentrepreneurship are key to creating opportunities for the poorest of the poor. Various studies have been carried out and it costs much more money to create a job in large enterprises than in small and medium-sized enterprises. In the Philippines, we have estimated that for a large enterprise to create a new job, it will cost at least a million pesos or approximately US\$ 22,000 at the current exchange rate – whereas for small business and microenterprises it's about US\$ 1,000 or even less.

So, the key is making sure that we give the poorest of the poor access to credit and skills training, and really ignite the power of the creative economy within our country.

Everyone has inherent talents. In fact, this is what we need to tap with micro-entrepreneurship so that, with very little capital, with little training and given some access to the market, we can actually help them become successful microentrepreneurs.

In a disaster-prone country like the Philippines, I think just giving micro-credit will probably be not enough to break this cycle of destruction because, more often than not, we are hit with typhoons or other natural disasters. For those engaged in agriculture and other livelihoods related to it, a typhoon can destroy a life's work and set them back to where they began. Establishing safety nets through microinsurance, I think, will help us break this cycle of poverty. After all, breaking the cycle of poverty will be the true measure of success of any government, improving the lives of its people. That is the goal of President Aquino.

1

The address was transcribed from audiotape and edited to fit the format of this report. This has been done with the highest possible accuracy. The text, however, does not reflect the spoken word entirely.

15 — Cesar V. Purisima,
Secretary of Finance,
Philippines.



President Aquino wants to transform the country, change its governance so we can realise the true potential of the Philippines. The Philippines is a blessed country. For those of our friends from abroad who are here for the first time, I hope you do get the chance to go outside Metro Manila. We have some of the most beautiful beaches in the world right at the coral triangle that has two-thirds of the world's coral variety.

We're also right at the centre of what will be the most dynamic economic region of the world in the next 50 years. So there is really no reason why we will not be able to attain or get back to our lofty perch of 50 years ago as being one of the most advanced economies in Asia.

What we need to do is make sure we address the three things I mentioned earlier, but at the same time also reach out to the poorest of the poor and make sure that we have inclusive growth. In the past, statistics were good. We've had 45 straight quarters of economic growth even during the global economic crisis. But the reality is that our poverty levels continue to increase. So the solution is to make sure that we also address this at the grass roots. This initiative of microfinance and microinsurance will go a long way towards attaining this objective.

On the part of the government, we will create an environment that ensures that microinsurance is given as great a chance of success as possible by having the right regulatory environment, by having the right support mechanism, and by helping in the education of our people because even beyond the micro level, the penetration rate of insurance products in the Philippines is not as deep as in other countries. After all, insurance is a way of mobilising a country's savings.

In fact, one of the three goals of President Aquino – reducing the infrastructure gap of our country – would depend on our ability to tap and mobilise savings in our country, because infrastructure requires substantial investments and long-term capital. So we need to match insurance money and long-term savings with long-term investment. The role of the government is to create the framework for that to happen. And we at the Department of Finance are committed to making sure that that happens.

Without a vibrant economy, especially at grass-roots level, I don't think we will be able to attain and sustain the high growth rates that are needed to reduce poverty in our country.

On that note, I would like to congratulate the organisers of this conference and congratulate the participants.

Thank you for choosing the Philippines as the venue for this microinsurance conference. I hope you will be able to share best practices so that we can improve the chances of success of microinsurance.

Microinsurance is difficult. The cost of setting up the delivery mechanism, and packaging the product to make sure that it is viable, is going to be a challenge. Convincing the poorest of the poor to buy insurance is also going to be a challenge. After all, what do they have to lose because they are already at the bottom of the pyramid. I think we have to change mindsets. We need to sell this to them as a way to ensure that, whatever effort they invest in getting themselves out of the present situation, microinsurance will protect them from potential disasters.

A last point: an appeal to our friends in other countries. One thing that has happened to the world outside of the globalisation of trade, the globalisation of travel, the globalisation of culture, is the globalisation of climate change. In fact, the Philippines, being a coastal country, has been identified as one of the 12 most vulnerable countries in the world. But we, as a community of nations, have not really addressed the mechanism by which everyone in the world shares the burden of climate change.

We would like to start a dialogue among people of the world, countries of the world, to establish a framework by which we can help one another beyond charity in addressing the impacts of climate change.

In 2009, we faced two typhoons of an intensity we have not seen in 25 years. My guess is, it is probably because of climate change. But experts will have to weigh in on that. I have an idea to propose that countries should be asked to participate in mandatory disaster insurance where the premium will be computed based on the carbon footprint of the country so that you link responsibility for climate change with the financial cost of such a change.

So, even at country level, insurance is very important – because those two typhoons set the Philippines back by as much as 2% of GDP and here we are trying to grow the country much faster than we have done in the past.

I encourage participants in this conference, the practitioners of microinsurance, the proponents of microinsurance, to consider developing this product that I think is going to play a very important role in breaking the vicious cycle of losses from natural disasters in countries like the Philippines.

I wish you a very successful conference and to those who visited us from afar who have read the wrong travel guide, I again extend the warmest welcome of our President and hope you enjoy your visit and take back happy memories to share with family and friends back home.

Thank you very much.

Plenary 1

Institutional options for achieving scale and profitability – Lessons from the Philippines

The plenary presented four institutional models for achieving scale and profitability in offering insurance to low-income clients in the Philippines. How appropriate and effective a model is in a particular situation may be assessed in the context of the microinsurance value chain (see Figure 1).

Mutually Beneficial Association (MBA)

There are 5.3 million poor in the Philippines with an average income of US\$ 1.40 a day. In an increasing number of low-income communities, microinsurance is slowly changing the culture of not talking about death. Dying in the Philippines is expensive; the poor have to borrow for a proper funeral – a financial burden they can jointly offset through a community-based insurance scheme.

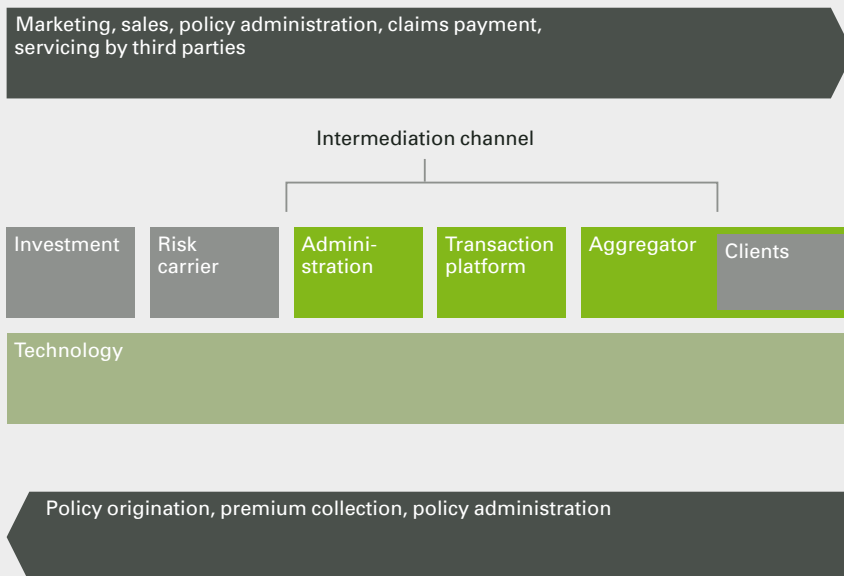
The MBA model is based on a view of microinsurance primarily as a pro-poor development initiative. MBAs are non-stock, non-profit organisations owned by their clients and registered with the Securities and Exchange Commission (SEC) and the Insurance Commission (IC). They generally serve clients of MFIs between the ages of 18 and 65 years. An MBA has four key characteristics:

- Legitimacy: it is licensed and regulated by the government.
- Purpose: it is anchored in social objectives.
- Structure: member-owned, member-governed.
- Operations: community-based recruitment, efficient claims processing (“1-3-5 rule”).

An MBA tends to experience little fraud because of the community ownership. While at the start of the scheme some members may try to cheat the system (“by dying and rising again”), this phenomenon decreases as the community-based institution takes hold and gets to know each policyholder by name and place. The community sees an intrinsic value in the service provided, which is why the number of MBAs and their clients has been increasing steadily in the Philippines.

The country’s biggest MBA is the insurance arm of CARD MRI, in itself the biggest microfinance institution (MFI). It is a co-founder of RIMANSI Organization for Asia and the Pacific, a regional resource centre based in the Philippines. RIMANSI was established to help professionalise the management of MBAs and set up related microinsurance programmes. Through its advocacy of expanding the outreach of microinsurance to poor households in Southeast Asia, the MBA model is being replicated in Cambodia, Vietnam and Indonesia.

Figure 1
Microinsurance value chain



Source: Chamberlain, Doubell. Presentation [based on Bester/Chamberlain/Hougaard (2007); adapted from Leach (2005)]. 6th International Microinsurance Conference 2010

Partner-agent model

This is an institutional model used widely for microinsurance that involves an MFI or NGO as an agent to market and deliver a product while a partner insurer underwrites it. In the Philippines, MFIs and rural banks have followed this approach, linking with insurance companies to distribute various products.

Offering microinsurance in a partner-agent arrangement benefits both the MFI and the insurer.

Advantages for an MFI:

- Reduces the level of risk
- Provides more comprehensive services without additional administrative costs
- Increases capacity to offer credit and savings products

Advantages for an insurer:

- Acquires easy access to target market
- Sells a variety of products to a large market
- Broadens its network
- Increases capacity to be innovative
- Good use of money and time

An insurer closely identified with the rural banking system in the Philippines is Country Bankers Life, set up in 1965. Through 1,800 rural banks – 70% of the total – it now covers 800,000 lives. Its main products, aimed at farmers, fishermen and market vendors in the countryside, are creditor's group life and a microinsurance package called CB Kalinga ("Care"), covering up to five members of a family.

Country Bankers Life

Number of people insured
800,000

Insured risks
Creditor's group life,
family protection

Premium range
US\$ 6.49 per year

Following 45 years of operation, Country Bankers Life now reports an "actual claims experience that is only 70% of the allocated claims amount" and an "actual administrative cost that is 20% less than projected expenses" – making the programme a very profitable one. However, Country Life views its microinsurance as a social protection programme that helps uplift the lives of the impoverished, providing "family protection for one year for less than one peso a day, or US\$ 6.49 annually".

Broker

In addition to an MBA and the partner-agent model, an intermediary can add value to the microinsurance supply chain and help achieve scale and profitability.

The framework for microinsurance comprises three main functions: risk carrier (a regulated legal entity able to carry the risk), front office (a trusted brand with accessible and low-cost points of sale), and back office (to design product/processes, train staff and clients, collect/store/report data, administer claims).

The MBA model encompasses all three, and the partner-agent approach covers the first two. An intermediary or broker focuses on the third function. Whichever institutional option is used to carry out the roles of a risk carrier and the front office, the back office work remains to be done, and there are substantial efficiencies in outsourcing it to a microinsurance broker. By aggregating numerous accounts, intermediaries can use scale to negotiate better products from insurers. In addition, they can bring imagination to the process as they deal with a range of products.



16 — Jaime Aristotle Alip,
RIMANSI, Philippines.

Plenary 1

Institutional options for achieving scale and profitability – Lessons from the Philippines

MicroEnsure Philippines

Number of people insured
1,200,000

Insured risks

Personal accident, life, funeral, loan redemption, hospitalisation, calamity, micro-housing, property

Premium range

PHP 770 (US\$17.50) to PHP 3,500 (US\$ 79.55) per annum

MicroEnsure Philippines, established in 2006 by global insurance intermediary MicroEnsure LLC, now works with six MFI partners and three insurers. It serves over three million people annually with a wide range of innovative products: group life insurance with funeral and accident covers (replacing credit life), loan redemption, Pamilya Sigurado (insurance for entire family), and Negosyo Asenso (business cover for microentrepreneurs). Its micro housing insurance, Bahay Asenso, covers not only fire and lightning but also typhoon, flood, earthquake, landslide, volcanic eruption and tsunami. Moreover, its climate-responsive agricultural products include weather-index-based crop insurance for drought and dry spells as well as excess rain and typhoon wind speed.

MicroEnsure data, compiled from a McKinsey Report based on interviews, shows that, of a typical annual premium for a family, 70% is paid to the insurer as risk premium, 10% goes to the MFI, and 20% to MicroEnsure as intermediary's commission. MicroEnsure considers its fee good value for the MFI as it would have cost more for the insurer or a consultant to provide back-office support.

Public-private partnership**KaSAPI**

Number of people insured
27,853 (as of December 2009; from selected branches of partner organisations)

Insured risks

Hospitalisation and regular outpatient

Premium range

US\$ 27 per member (also covers qualified dependents)

Providing universal healthcare is a huge challenge for most governments. Even where there is a state healthcare scheme, covering workers in the informal economy is particularly difficult. In the Philippines the National Health Insurance Program (NHIP), which is administered by PhilHealth, has pursued public-private partnerships to reach out to more informal economy workers and provide access to social health insurance. PhilHealth's mandate of universal coverage of all Filipinos was made a priority by President Benigno Aquino, as declared in his inauguration speech in June 2010. The Aquino administration aims to achieve the goal within three years. The NHIP has component programmes tailored to cover the employed sector, overseas workers, retirees, and the self-employed and informal workers, as well as a sponsored programme that subsidises premiums for the poor. The most challenging of the sectors mentioned is the informal workers.

Some of the challenges PhilHealth has been facing for coverage of the informal workers include

- identification of poor families by the local social welfare official;
- sustainability of poor families' enrolment in the subsidised programme;
- the small numbers of informal workers enrolling in the scheme;
- travel and the transaction costs of paying the premiums: often higher than the premium itself.

17 — Left to right:
Richard Leftley, MicroEnsure, UK;
Facilitator: Doubell Chamberlain,
Cenfri, South Africa; Geraldine
Desiderio-Garcia, Country Bankers
Insurance Corporation, Philippines;
Lourdes Irene Minoza, PhilHealth,
Philippines.



To overcome these challenges, the government initiated a programme called KaSAPI in 2005. It links PhilHealth with established organised groups to increase and sustain membership of informal sector workers, implement an alternative payment scheme, develop innovative approaches to marketing social health insurance and help limit adverse selection in the informal sector (see Figure 2).

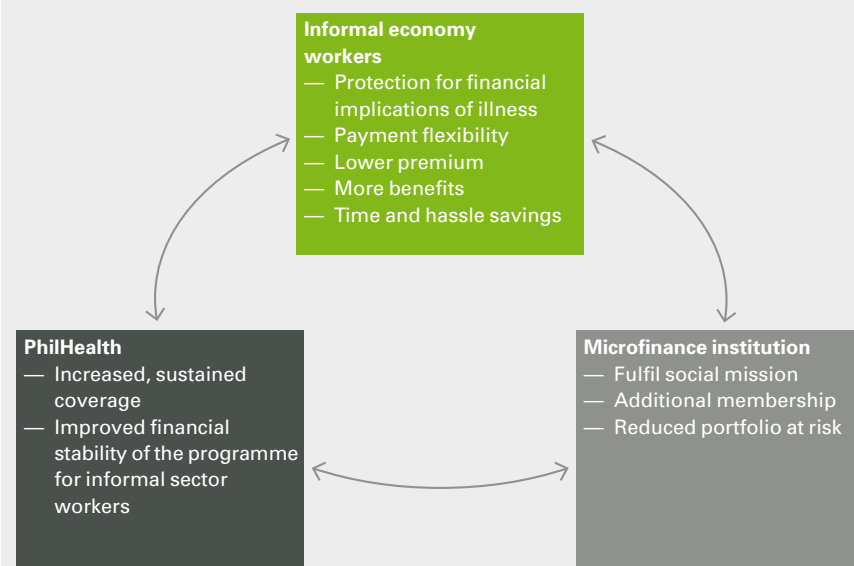
Though KaSAPI has been growing and is financially sustainable, some of its partner groups have experienced drop-out rates as high as 50%.

To further increase the programme's scale and sustainability, PhilHealth plans to

- adopt a National Household Targeting System to systematically identify the poor;
- improve benefits and their delivery;
- accredit more collecting agents beyond MFIs (so far 44 banks and 11 non-banks have been accredited);
- include smaller organisations (minimum membership required now is 1,000);
- conduct an aggressive information, education and communications campaign to increase public understanding and appreciation of the National Health Insurance Program.

- Lessons learnt**
- Institutional options getting results in the Philippines include the MBA, partner-agent model, intermediary, and public-private partnership. Within each, there should be flexibility to try a different model more suited to a new product or a target market or niche.
 - A diversity of approaches and efforts to harmonise differing interests mark the microinsurance experience of the Philippines: what works best in a local community and its culture.
 - Working in partnership with other organisations with a similar clientele can help reduce costs and increase access.
 - For the poor, not only is the premium a burden but also any costs related to receiving benefits, such as travelling to a facility for healthcare.
 - Value to the client and simplicity should drive each step of micro-insurance provision and delivery, from product development to sales to claims service.
 - Success of the front office depends on the quality of back-office work. Working in partnership with other organisations with a similar clientele can help reduce costs and increase access.

Figure 2
KaSAPI, a triple win: the Philippines government's KaSAPI programme links informal economy workers, MFIs and PhilHealth to offer health insurance to informal workers.



Source: Minoza, Lourdes Irene. Presentation "Strategies in providing financial protection to the informal sector". 6th International Microinsurance Conference 2010

Agenda

Day 2 morning sessions 10 November 2010

Parallel session 1

Developing national microinsurance strategies – The example of the Philippines

Gil S. Beltran
Under-Secretary, Department of Finance, Philippines
Public-private partnerships – The process of the formulation of strategies

Vida Chiong
Deputy Commissioner, Insurance Commission, Philippines
Overview of the microinsurance policy and regulatory regime

Eiichi Sasaki
Senior Financial Sector Specialist, ADB, Philippines
Role of the ADB in the development process of the national microinsurance strategy

Antonis Malagardis
Project Manager, GIZ-MIPSS, Philippines
Role of the GIZ in the development process of the national microinsurance strategy

Facilitator
Piedad S. Geron
Consultant, Philippines

Parallel Session 2

Academic track – Demand issues

Jing Cai
UC Berkeley, USA
Determinants of microinsurance adoption – Evidence from a field experiment in rural China

Andrew Zeitlin
University of Oxford, UK
Education, prices and peers in the promotion of composite microinsurance – Evidence from a randomised controlled trial in Kenya

Facilitator
Richard Phillips
Chair of the risk management and insurance department, Georgia State University, USA

Parallel Session 3

Case studies – Agriculture

Francesco Rispoli
Technical Adviser, IFAD, Italy

Niels Balzer
Policy Officer, UN World Food Programme, Italy
The potential for scale and sustainability in weather index insurance

Ashutosh Shekhar
Agricultural Analyst, CIRM/IFRM, India
90,000 livestock in Vizianagaram – A case study on addressing moral hazard and transaction costs through a community-based livestock insurance scheme.

Facilitator
Gabriele Ramm
Consultant to GIZ, Germany

Parallel session 4

Workshop – Introduction to good practice in microinsurance

Denis Garand
President, Denis Garand and Assoc., Canada

John Wipf
Microinsurance Consultant, Denis Garand and Assoc., Philippines
(This session was intended for people new to the topic of microinsurance.)

Plenary 2

Round table – Responses from the private sector in the Philippines

Geraldine Desiderio-Garcia
Chair, Microinsurance Committee - PLIA, Philippines

Michael Rellosa
President, PIRA, Philippines

Fermin Gonzales
President, CLIMBS, Philippines

Rolando Victoria
Executive Director, ASKI, Philippines

Lalaine Joyas
Executive Director, MCPI, Philippines

Facilitator
Danilo Songco
Executive Director, PinoyMe Foundation, Philippines

Parallel session 1

Developing national microinsurance strategies – The example of the Philippines

“It is very clear from the Philippines experience that the collaborative effort between the private sector and the government (for policy, legal framework and regulation) brings meaningful success in reaching out to the poor.”

Sosthenes Kewe, Financial Sector Deepening Trust, Tanzania

To analyse the evolution of microinsurance in the Philippines, the session evaluated three issues:

- Government strategies to fight against poverty especially through microfinance
- The national strategy and regulatory framework for microinsurance
- The support of donors (Asian Development Bank (ADB) and GIZ)

In the mid-'90s, a government policy to fight against exclusion was proving unsustainable; a large number of programmes were being subsidised but the private sector was not involved and there was a low level of outreach. In 1997, a new strategy was outlined: the National Strategy and the Regulatory Framework for Microfinance, the driving principles of which were to

- involve the private sector by creating a partnership with the public sector;
- end the system of subsidies, with government only focusing on creating the right environment for microfinance;
- build a market-oriented approach.

The Regulatory Framework for the strategy was shaped in coordination with all the sectors involved. As a result there are 1,410 MFIs and commercial banks serving seven million clients today (see Figure 3).

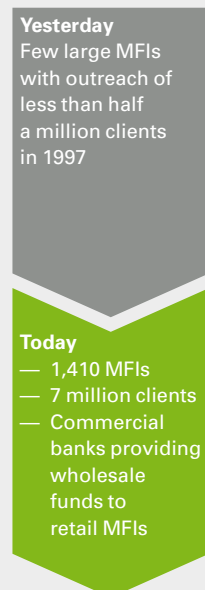
Applying the same principles, a Microinsurance National Strategy and Regulatory Framework was launched in January 2010 with the support of the ADB and GIZ. Its aims were to spread nationwide education campaigns about insurance, to promote the availability of appropriate microinsurance products, to facilitate distribution and to adopt performance standards.

The microinsurance market in the Philippines at the end of 2010 included 11 life and non-life companies, and 20 microinsurance MBAs spread around the country. While the country's strong microfinance sector has been the major driver of microinsurance, the catalysts of this growth are the Insurance Commission and MBAs.



18 — Gil S. Beltran, Under-Secretary, Department of Finance, Philippines.

Figure 3
Microfinance in the Philippines yesterday and today



Source: Beltran, Gil. Presentation “Public-private partnerships – The process of the formulation of strategies”. 6th International Microinsurance Conference 2010

Parallel session 1

Developing national
microinsurance strategies –
The example of the Philippines**Box 1**
Features of Regulatory Framework

Links premium/contribution and the maximum sum of guaranteed benefits to the daily minimum wage for non-agricultural workers in Metro Manila, the manner and frequency of payments coinciding with their cash flow.

Allows only regulated entities to provide microinsurance, with a special regulatory space specifying a guarantee fund, capitalisation and appropriate risk-based capital for microinsurance, when necessary. MBAs wholly engaged in microinsurance are required to have a lower guarantee fund, and cooperative insurance societies lower capitalisation.

Mandates market conduct, reducing the period of claims settlement to a maximum of ten days and of suicide exclusion to one year, and requiring a refund of the premium if a suicide claim is not compensable.

Qualifies three delivery channels:

- Licensed insurance providers
- Licensed agents and brokers of commercial insurance companies
- Microinsurance agents

Restricts agents to selling microinsurance products only. Such an agent is not required to take the regular agents' licence examination but must attend and pass a microinsurance training programme. MFIs and cooperatives may be licensed as agents provided they sell microinsurance products to their clients only.

Undertakes initiatives to formulate performance standards and promote financial literacy, with a special focus on the rights and responsibilities of the insured and providers.

The Commission has the mandate to enforce application of the Regulatory Framework, protect policyholders, and promote growth and financial stability of its regulated entities.

Micro-MBAs are non-profit organisations whose members pay regular contributions before a contingent event and receive a predetermined amount after the event (see Box 1).

The enabling law for MBAs was the Insurance Code of 1978. More recently, two circulars were issued: one on 15 May 2006 outlined microinsurance regulation and declared policy objectives, and the other on 29 January 2010 reviewed proposals of a technical working group to include interested commercial insurance companies as microinsurance providers and expand delivery channels to include MFIs as possible microinsurance agents.

Two aid organisations have been in the forefront of international assistance to help develop microinsurance in the Philippines: the activities of the ADB and GIZ are mainly directed at guaranteeing the regulatory environment to ensure the safe provision of microinsurance, and to increase relevant stakeholders' awareness of and buy-in to microinsurance.

The ADB, which has supported the growth of the microfinance sector in the Philippines for more than ten years, implemented a special project to develop microinsurance in 2008. The project has been providing technical and financial assistance to formulate and develop the Regulatory Framework for microinsurance, create performance standards, establish a road-map to financial literacy in microinsurance, draft relevant circulars and regulations, and train both regulators and microinsurance providers.

The GIZ assistance has approached microinsurance on three levels: macro: supervisory authorities and ministries; meso: service providers and social protection; and micro: insurers, intermediaries and customers. In the process, the GIZ-sponsored Microinsurance Innovations Program for Social Security (MIPSS) in the Philippines has collaborated with the ADB in developing the Regulatory Framework. It has also focused on product innovation, financial protection, in particular enhancing KaSAPI to improve health-care in the informal sector and increase viability of micro health insurance, and developing index-based insurance against natural disasters.

Another notable initiative of MIPSS is the setting up of a Microinsurance Resource Center as "a distinctive hub" to deal with concerns of providers and other stakeholders.

Box 2**Features of the regulation for MBAs providing microinsurance in the Philippines**

In 2006, the Insurance Commission of the Philippines launched its initiative to promote microinsurance by officially declaring the month of January of every year as “Microinsurance Month”. To kick off the initiative, the Commission issued a groundbreaking circular defining microinsurance and its minimum features, building on provisions in the Insurance Code.

Under the Insurance Code, separate provisions are applicable for Mutual Benefit Associations and for Cooperative Insurance Societies as they are both considered as non-stock, non-profit organisations. The Code defines an MBA as “any society, association or corporation, without capital stock, formed or organised not for profit but mainly for the purpose of paying sick benefits to members, or of furnishing financial support to members while out of employment, or of paying to relatives of deceased members of fixed or any sum of money....” It shall collect fixed and regular premiums from its members and it shall not, in any way, “be organised and authorised to transact business as a charitable or benevolent organisation....”

The Memorandum Circular of 2006 reduced the guaranty fund for new and existing MBAs wholly engaged in providing microinsurance from PHP 125m (US\$ 2.8m) to PHP 5m (US\$ 112,000). This will only apply to an MBA recognised as a “microinsurance MBA”. An MBA can be recognised as a microinsurance MBA if the following conditions are met:

- (a) It only provides microinsurance policies to its members
- (b) It has at least 5,000 member-clients

To build-up their capitalisation over time, microinsurance MBAs are required to increase their guaranty fund by an amount equivalent to 5% of their gross premium collections until the amount of the guaranty fund shall reach PHP 12.5m (US\$ 280,000).

Source: Gilberto M. Llanto, Piedad S. Geron, Joselito S. Almario, “Developing principles for the regulation of microinsurance: Philippine case study”, Discussion Paper Series No. 2008-27. Philippine Institute for Development Studies, October 2008

Lessons learnt

- Strong private-sector collaboration is needed to implement financial inclusion reforms.
- Capacity-building is more important than subsidising microenterprises. Limited government intervention enhances competition, and setting performance standards builds and develops strong, effective and sustainable private finance entities.
- Regulators also need capacity-building as promoters and facilitators of microinsurance. Microinsurance receives a big push when regulators consider it “business as usual”.
- Appropriate regulatory framework – reasonable, achievable and sustainable – facilitates private-sector involvement in microinsurance while protecting the consumer.
- The support of donors is critical in capacity-building.
- MFIs are an entry point for microinsurance but delinking insurance from credit is an option that needs to be explored further.
- Studies are also needed on how to make micro health insurance more viable.



19



20

19 — Vida Chiong, Deputy Commissioner, Insurance Commission, Philippines.

20 — Left to right: Piedad S. Geron, Philippines; Eiichi Sasaki, ADB, Philippines; Antonis Malagardis, GIZ-MIPSS, Philippines.

Parallel session 2

Academic track –
Demand issues

“It is not yet evident that microinsurance brings about impact to the poor people. This is an area where further studies have to be done to inform whether poor people will be better off with microinsurance.”

Sosthenes Kewe, Financial Sector Deepening Trust, Tanzania

While getting formal risk protection certainly holds promises for the poor, the “if, why and how” of clients’ purchasing microinsurance remains a tough issue for both insurers and academics. Insurance practitioners often develop a gut feeling for which products and distribution channels work better than others – and routinely develop and adapt products to meet market demands. On the academic side, methodological innovations like randomised experiments can help to explore these issues more systematically. The academic track thus featured a session on demand issues – reporting on evidence from a randomised experiment on crop insurance in China, and health insurance in Kenya.

Microinsurance take-up: A randomised experiment in China

Rice production insurance, China

Number of people insured
16,000 households at experimental sites

Insured risks
Weather disasters

Premium range
US\$ 30 per selection of contracts

A research project by the University of California at Berkeley studied several determinants of insurance take-up in a crop insurance programme covering disaster damage, e.g. from storms and floods. The area depends heavily on rice production, with over 70% of household income coming from rice cultivation.

The first experiment focused on financial literacy, trust and social network effects. Farmers were randomly assigned to one of four sessions. They differed in the amount of information provided – with two simple (20-minute) and two intensive (50-minute) sessions, and the time in which they were conducted – pairs of simple and intensive sessions were conducted with a time lag of 2–4 days. Additionally, high or low take-up rates were triggered in the early sessions of some test runs by offering “buy” or “no-buy” as a default.



21



22



23

21 — Jing Cai,
UC Berkeley, USA.

22 — Andrew Zeitlin,
University of Oxford, UK.

23 — Richard Phillips, Georgia
State University, USA.

Results confirmed that improving farmers' financial literacy and trust in the insurance company can raise microinsurance take-up rates; and that social networks can help diffuse financial knowledge and trust in the programme to farmers not having taken part in the sessions.

The second experiment analysed the effects of different menu options being offered to the farmers on the insurance take-up. The contracts offered three different indemnity and premium sizes, with higher premium subsidies for higher-ticket contracts. Some farmers were offered only the cheapest contract, others the two lower options, and some all three options.

Having more options increased insurance take-up. While few farmers actually chose the higher-value contracts, having these available actually increased take-up of the lowest-cost option available to all farmers by almost a third. A menu effect can be used to explain this paradox, with different options being available signalling product quality and raising trust in the offering.

Friends, fear and finance: Buying health insurance in rural Kenya

Bima ya Jamii, Kenya

Number of people insured
48,000

Insured risks

In-patient hospitalisation, personal accident and funeral expenses

Premium range

US\$ 50 per year

A second study, financed by the International Labour Organization (ILO), covered the take-up of health insurance in rural Kenya. It addressed a puzzle in studies on take-up – that risk-averse people are often unlikely to buy insurance – by considering whether clients are confident that the insurance promise will actually be honoured in the event of a claim. The research measured the risk attitude of participants with a lottery game, and trust with a specially designed trust game. Data was gathered from 150 tea collection centres in the Mount Kenya area that were offered Bima ya Jamii, a composite health insurance product of the Co-operative Insurance Company (CIC) Kenya. Clients could pay the insurance out of future tea bonuses, and got a referral fee for introducing friends to the product.

As a key outcome, the price sensibility of farmers seems to be particularly high – a relevant finding, considering that premiums have just been raised in the scheme. Moreover, peer effects were weak, but could be strengthened by introducing the referral fee – even though people are quite wary of pyramid schemes. The individually expected health expenditures were only weakly related to take-up, which may be explained by the influence of trust in the insurance scheme's capacity to deliver.

Lessons learnt

- Microinsurance clients are highly price-sensitive – reducing price-points and improving client value compared to premium could thus strongly increase acceptance.
- Non-acceptance can be driven by various factors – trust, risk aversion, presentation of products, or a combination thereof – and some of these influences are not clearly determined, a fact that should be considered in the analysis of under-performing programmes.
- Peer information and social networks can play a certain role in driving acceptance, but find their limits when people mistrust pyramid schemes or have no actual experience with the programme. Peer influences might grow stronger over time.
- Insurers can influence take-up by indirect measures – such as composing the right menu of options. Some of these options might be counter-intuitive – relying solely on gut feeling might thus mislead insurers when they are designing products and sales efforts.

Parallel session 3

Case studies –
Agriculture

“My colleague and I have no insurance background. We are climate-change researchers working with stakeholders to explore opportunities for developing a climate-based risk management scheme for farmers in Nigeria. The contacts we made and the exchange of experiences during the conference has been extremely useful to us. Coming here has been a good investment.”

Ewah Eleri, Director,
International Centre for
Energy, Environment and
Development, Nigeria

Farmers in developing countries are exposed to many risks, in particular weather perils, which will become even more important with climate change. Their risk management strategies generally leave the farmers highly vulnerable to low-frequency covariate risks (e.g. severe drought) and produce suboptimal outputs.

The question is whether agriculture index-based insurance can help resolve this issue.

The International Fund for Agricultural Development (IFAD) and the UN World Food Programme (WFP), in a joint initiative called the Weather Risk Management Facility (WRMF), have analysed opportunities, challenges and good practices of weather-index-based insurance in 36 programmes and published a study on them.

This session presented the findings of the WRMF study “The potential for scale and sustainability in weather-index insurance for food security and rural development” including an example from Ethiopia and a livestock insurance programme in Andhra Pradesh, India.

Findings and an example from the WRMF study

Index-based insurance presents many advantages. It is transparent for the clients and eliminates any subjectivity in payouts, because of the use of a pre-identified and measurable index. It reduces the operational and transaction costs because there is no need to do on-farm loss adjustment, which permits a rapid payout. It avoids adverse selection and moral hazard.

Index-based insurance, however, presents some disadvantages and challenges too, including the potential difference between the loss suffered and the payout triggered by the index (called basis risk), the limitation of perils to one or two covered by the index, and the difficulty in replicating the scheme because it has to be specifically tailored to each location and crop.



24



25



26

24 — Left to right:
Ashutosh Shekhar, CIRM/IFRM,
India; Gabriele Ramm,
Consultant to GIZ, Germany.

25 — Francesco Rispoli,
IFAD, Italy.

26 — Niels Balzer, WFP, Italy.

**WRMF study example:
Drought insurance pilot Ethiopia**

Number of farmers insured
137

Insured risks
Drought for haricot beans

Premium
Approximately 11% of the sum insured.

Average per farmer
US\$ 40

In 2009, the WFP provided assistance for a pilot drought index project in Ethiopia, in partnership with the Ministry of Agriculture, Nyala Insurance and the National Met Agency. The drought insurance for haricot beans during the meher (July–September) season covered 137 members of the Lume-Adama Farmers Cooperative Union in Bofa, Oromia. The premium was approximately 11% of the sum insured, pre-financed by the cooperative.

The policy’s underwriting involved a simplified version of the Food and Agriculture Organisation’s (FAO) Water Requirement Satisfaction Index (WRSI), using the LEAP (Livelihoods, Early Assessment and Protection) software developed by the WFP and the World Bank. The software helps quantify and index the drought and excessive rainfall risk.

During the crop season, rainfall data generated by newly installed low-cost, fully automated weather stations was used to monitor actual rainfall.

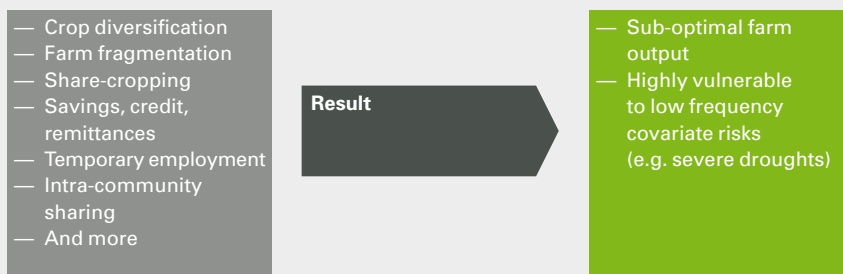
Claims experience was reasonable. Erratic and less-than-normal rainfall resulted in a payout of some 50% of the total sum insured, about US\$ 25,000, which the cooperative distributed among insured members.

The project showed that farmers are ready to buy this kind of insurance if it is easy to understand and coupled with other services such as credit or provision of weather services or advice.

Key lessons from the WRMF study on index-based weather insurance

- Create a proposition of real value to the insured, and offer insurance as part of a wider package of services. Experiences analysed showed that, as a stand-alone product, it is limited in scope.
- Graft onto existing, efficient delivery channels (e.g. farmers associations, associations, financial service providers, traders, input suppliers, government programmes).
- Build the capacity and ownership of implementation stakeholders.
- Invest in client education and training to increase awareness of index insurance products.
- Improve the infrastructure, quality and availability of weather data.
- Invest in innovation and use of technology (e.g. remote sensing applications) to push the frontiers of index insurance.
- Monitor and evaluate products to promote continuous improvement.
- Promote an enabling legal and regulatory framework.
- Use a holistic approach to risk management, promoting financial and non-financial tools.

**Figure 4
Traditional farmer risk management strategies**



Source: Balzer, Niels and Rispoli, Francesco. Presentation “The potential for scale and sustainability in weather-index insurance for food security and rural development”. 6th International Microinsurance Conference 2010

Parallel session 3
Case studies – Agriculture

Community-based livestock insurance

**Livestock insurance
Andhra Pradesh, India**

Number of cattle insured
90,000

Insured risk
Livestock mortality

Premium
4% of cattle value
(reduced to 2% for 2009)

The product is essentially a loan protection scheme linked to livestock ownership, with the community bearing the risk by pooling premiums. The sum insured is the value of cattle declared by the owner, and the annual premium is 4% of that value (which good results reduced to 2% for 2009).

The programme is managed by a federated structure of small self-help groups across the community. There are no underwriters, and transaction costs are kept low with the help of a “bima mitra” (insurance adviser), involved in the process throughout – from registering the insurance application to inspecting the dead cattle and issuing the death certificate. Claims are paid within seven days.

Community vigilance and supervision, together with veterinary care for loss prevention, have reduced the number of claimants from 2.73% to 0.67% in five years, while the number of cattle insured has increased from 3,000 to 90,000 (see Figure 5).

Among the challenges faced by the programme are:

- The community as risk-bearer is exposed to covariate shocks.
- Enrolment, done once a year, keeps new animals purchased by members waiting to be insured.
- Heavy dependence on the insurance adviser for transactions will impede the programme’s expansion to other districts, requiring increasing use of technology for data management.

Livestock insurance, perceived to be high-risk, is expensive and has a negligibly low outreach among the poor. In India, where most of its 283 million head of cattle are found in low-income agricultural communities, only 7% are covered under insurance. Few insurers have entered the market. A major reason is moral hazard, with one out of every four claims deemed fraudulent.

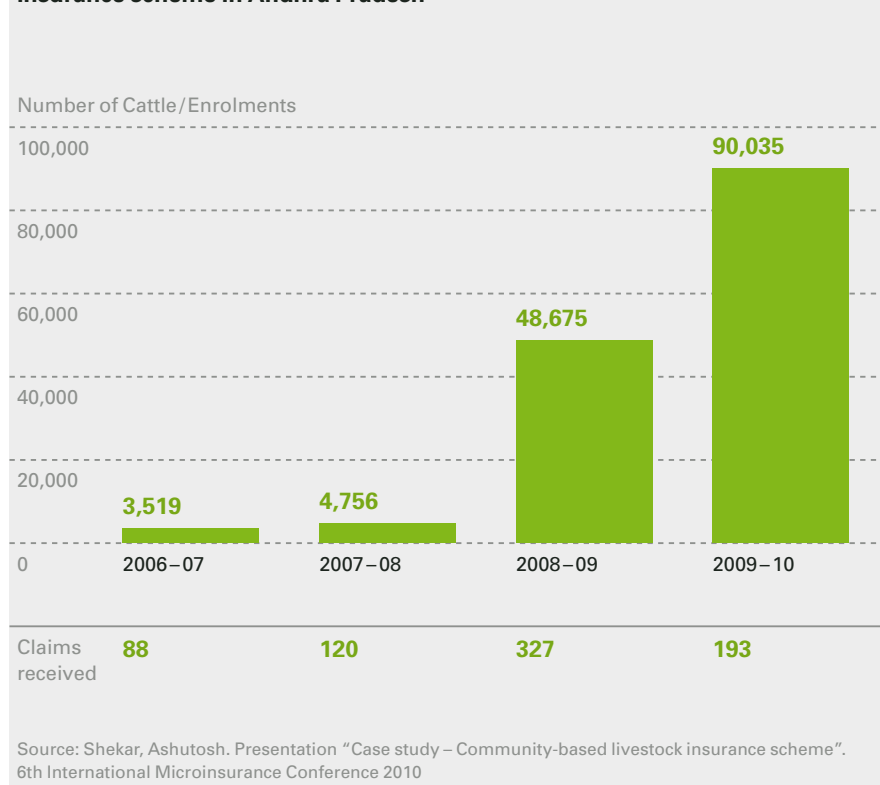
Now a community-based livestock insurance scheme is making a difference in the Vizianagaram district of Andhra Pradesh.

In this case, the choice of self-help groups and the community approach was made to overcome some of the issues faced in the partner-agent model, currently used by 90% of livestock insurance plans. Reliance on the community eliminates dependence on an insurance intermediary and, with peer monitoring of policies and claims, creates more trust between the insurer and the insured, offsetting moral hazard and resulting in easier claims verification and faster payouts.

In both examples looked at in the session, a major challenge is scaling-up. In index-based insurance, distribution is limited to the area and risk covered by the index. Expansion of a community-based programme depends on transforming simple processes into professional front- and back-office functions.

Community-based livestock insurance can succeed with the use of a simple process, an insurance adviser or another qualified microinsurance delivery channel, group monitoring and veterinary care to add value. However, for the programme to grow, the capacity of the insurance adviser will need to be supplemented with increasing automation of functions.

**Figure 5
Progress of the community-based livestock insurance scheme in Andhra Pradesh**



Source: Shekar, Ashutosh. Presentation “Case study – Community-based livestock insurance scheme”. 6th International Microinsurance Conference 2010

Parallel session 4

Workshop – Introduction to good practice in microinsurance

This interactive session covered the basics of microinsurance for those new to the topic.

Microinsurance can be defined simply as insurance for the poor. It makes insurance accessible to those who do not have access to traditional insurance. It is designed to protect low-income households against specific risks, and it is important that products be designed to reach this market (see Box 3).

For traditional insurance companies, this entails a major shift in the approach to markets: going back to the essentials of insurance and trying to recreate it for a new segment, by re-learning how to offer it to this new audience. The insurance products designed need to be mindful of coping mechanisms that the poor already have in place to deal with risks, and use insurance to improve on these mechanisms.

Microinsurance can be understood as a tool to help **manage** risks – it is a tool, but not the solution in and of itself. It needs to be linked to other initiatives.

Box 3

Definition of microinsurance – What it is and what it is not

Microinsurance is...

“...the protection of **low-income** people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.”

Draft Donor Guidelines, CGAP Working Group (2003)

“...not a specific product or product line. It is also not limited to a specific provider type. Microinsurance is the provision of cover to a specific market segment, i.e. **low-income** people.”

IAIS Issues Paper (2007)

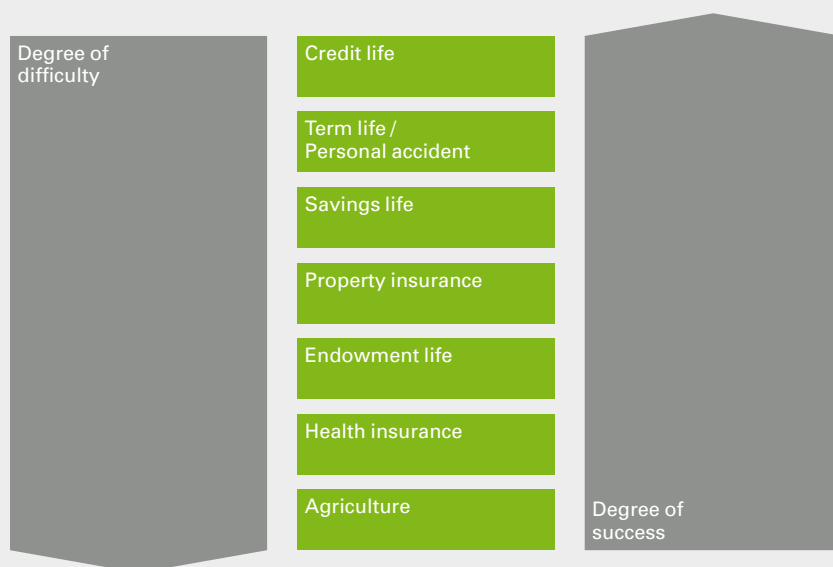
There are different types of microinsurance products with varying degrees of difficulty that have enjoyed varying levels of success (see Figure 6).

Microinsurance is most suited to segments of the population that have informal insurance or those who are insurable but do not have access to the service. It is not, however, an appropriate product for the poorest of the poor, who cannot afford to pay for any insurance services and are beyond the reach of market mechanisms.

The “insurable poor” often work in the informal economy, and have irregular cash flows. They are vulnerable to risks – though they may be able to cope with some risks through social networks. They are also often not very familiar with formal insurance and may not trust insurance companies.

Some mainstream insurers may be tempted to approach microinsurance on a trial-and-error basis, but comprehensive research is a must for a proper entry into the market.

Figure 6
Most common types of microinsurance



Source: Roth, J., McCord, M., Liber, D. “The landscape of microinsurance in the world’s 100 poorest countries”. MicroInsurance Centre, 2007

Parallel session 4

Workshop – Introduction to good practice in microinsurance

In such research and demand studies, a key skill required is designing the survey and posing questions in focus groups that elicit reliable responses. It is important to put options in context for people, for example by asking them to compare their preferences for two specific benefit packages at two different prices. Without a reference point, people will opt for all the coverage possible and be willing to pay only a very small amount.

After defining a target market in a region, a key step is to identify insurable risks. Understanding the critical gaps in risk management by low-income households is the starting point in developing products that are feasible, acceptable and affordable. It may be possible to sell a product that does not relate to a client's real needs, but it would not help keep that customer. Even when a product is well founded on research and well targeted, ongoing education of clients to build up insurance awareness and financial literacy is needed to sustain their interest and commitment.

The bancassurance model in South Africa – in which insurance is sold on the back of a savings account – has a high level of enrolment but a disappointing retention rate. Those who have dropped out did not understand what they were buying and how it met their needs.

In microinsurance distribution, a social connection with the client is more important than a commercial connection. Collecting premiums and settling claims requires customer interaction. In rural areas, lack of infrastructure calls for transactions through existing networks and group meetings.

Premiums are low, and a large number of policies need to be sold. As the volume grows, the right IT and management information systems need to be introduced at the right time in the right way – keeping in mind that at customer level whatever is presented must be simple and easy to understand and deal with. This can make or break a microinsurance business.

Lessons learnt

- Microinsurance is different from traditional insurance and requires a variety of approaches, but simplicity is the key.
- The typical insurance company approach to a market entry – put it out there and adjust as you go – does not work for microinsurance.
- Research and demand studies are essential for learning what microinsurance clients want and need. When asking about pricing, put a couple of options in the context of the covers each amount can buy.
- Pricing needs to be reviewed regularly as experience varies.
- Building up insurance awareness may take time and resources beyond an individual programme. What will work depends on the community's culture and history as well as institutions people trust.
- In building trust, what works best is informal word of mouth.
- Practitioners could use a step-by-step "how to" guide in layman's terms ("Microinsurance for dummies").



27 — Denis Garand,
Denis Garand and Assoc.,
Canada.

28 — John Wipf,
Denis Garand and Assoc.,
Philippines.



Plenary 2

Round table – Responses from the private sector in the Philippines

Although the Philippines is the twelfth most populous country in the world and its insurance industry is considered advanced among countries in the region, its existing insurance business is estimated as the third smallest in East Asia.

The country's population is particularly vulnerable: 40 million Filipinos live below the poverty line and are exposed to major risks, and the country suffers on average 20 typhoons a year. Such a huge number of poor exposed to such a frequent threat holds a lot of potential and promise for microinsurance. Indeed, it is estimated that the country's microinsurance market alone is worth at least PHP 20bn (US\$ 0.4bn) a year.

The insurance market in the Philippines has been marked in recent years by the crisis which resulted in pre-need companies becoming insolvent, leaving many people without recourse. As many people equate pre-need with insurance, this had an adverse effect on people's perception of insurance. Besides, the behaviour of some insurance companies does not improve the situation as they resort to long delays in the payment of claims.

To cover this huge market, the microinsurance in the Philippines is mainly offered by cooperatives, member-based associations and microfinance institutions – with associations of life and non-life insurers also actively engaged in developing new products, and legislative reforms for the low-income market. The round table represented five organisations.

CLIMBS (Co-op Life Insurance and Mutual Benefit Services) is a cooperative insurer created as a pioneer in 1971 of what later came to be known as microinsurance. Now it has one million Filipinos insured (3.5 million including family members). CLIMBS' microinsurance products are distributed by cooperative insurance centres, which proves to be very efficient. CLIMBS also cooperates with life and non-life private insurance companies. In its efforts to meet the market needs, CLIMBS has placed a primary focus on reimbursing all claims within seven days. It now plans to expand its microinsurance range, by preparing the ground for health services to cooperative members, as well as through its recently launched insurance against extreme weather conditions, in partnership with Munich Re and GIZ.

ASKI (Alalay sa Kaunlaran Inc.) is a non-stock, non-profit organisation formed in 1986 to promote and develop micro and small-to-medium-sized enterprises and deliver social services. Its business units include microfinance, MBA, a marketing co-operative and a foundation. Being close to its clients, it noticed that they need not only microcredit, but also other financial services such as microinsurance. ASKI has now entered into various partnerships with private insurance companies for the provision of microinsurance products.

MCPI (Microfinance Council of the Philippines) is the national association of MFIs in the Philippines. It has 47 members including NGOs, banks and cooperatives, which collectively represent 55% to 60% of all microfinance clients in the country. The aim of MCPI is to promote innovation and help microfinance institutions respond to evolving needs of the poor. Almost all members of the MCPI offer microinsurance to their microcredit clients, in collaboration with insurance companies, by creating their own MBAs, or through in-house microinsurance schemes. The main priorities of these MFIs remain the payment of claims and staff training.



29



30



31

29 — Geraldine Desiderio-Garcia, PLIA, Philippines.

30 — Left to right: Michael Rellosa, PIRA, Philippines; Danilo Songco, PinoyMe Foundation, Philippines.

31 — Fermin Gonzales, CLIMBS, Philippines.

Plenary 2

Round table – Responses from the private sector in the Philippines

PLIA (Philippine Life Insurance Association) is the umbrella organisation of life insurance companies in the Philippines, whose primary objectives are to “propagate and spread the concept, principles and benefits of life insurance” and to “serve as a forum for exchanging ideas and information”. The association is actively engaged in discussions and technical working groups to formulate new microinsurance products. PLIA is also working on increasing distribution through partnerships, the development of flexibility to adapt to market changes, the forging of partnerships with accredited organisations and a continuous study of microinsurance data for appropriate analysis and recording.

PIRA (Philippine Insurers and Reinsurers Association) is the umbrella organisation of the 83 members of the non-life insurance industry in the Philippines. Among its members, only eight non-life insurance companies offer microinsurance products.

In its prospective market, PIRA sees three types of Filipinos:

- The dangerously uninsured: No money to spare, insurance not a priority, bad perception of insurance, simply uninformed
- The reluctantly underinsured: Only buy insurance because it is required by law or by the bank
- The happily insured: Consider insurance as a risk management tool

The reasons why the market is still largely untouched are various. First, many Filipinos do not have enough spare money to buy insurance, and they will sometimes consider risk-management expenses not to be a priority. Secondly, the Filipinos would generally not be aware of the positive role microinsurance can play in the mitigation of their risks. Last but not least, Filipinos often have a bad perception of insurance.

PIRA is taking numerous measures to improve the microinsurance offer to low-income people. In particular, it is involved in lobbying for reforms.

The Insurance Code of the Philippines is 36 years old and – in the opinion of the sector – is in need of a thorough update. Furthermore, a tax reform has been requested by the market to remove the Documentary Stamp Tax which burdens microinsurance premiums and is detrimental to the poor. Finally, PIRA is demystifying insurance for the masses through education and promotion of a good image for the industry.

Box 4

Rising to the challenge

In response to the government’s call to increase provision of microinsurance, the private sector is pursuing a number of specific objectives brought out in the plenary:

- Help enhance financial literacy among the poor – in particular their understanding of risk pooling and how loss and fraud control helps everyone insured.
- Reach out to organised groups to engage workers in informal sectors and lower distribution costs.
- Help community-based institutions professionalise management and governance.
- Improve insurers’ own participation in the low-end sectors by separating microinsurance data from mainstream operations and setting distinct performance standards for it.
- Focus innovation on the need to protect the poor against catastrophic losses.



32



33

32 — Rolando Victoria, ASKI, Philippines.

33 — Lalaine Joyas, MCPI, Philippines.

A key point agreed around the table was that raising awareness of microinsurance and enhancing collaboration among various players in the private sector on initiatives for the low-income market are essential. These measures would ensure future growth and expansion of not only microinsurance but also the insurance industry as a whole in the Philippines. They are in line with what President Benigno Aquino has urged all Filipinos to do: help one another build a better future in the bayanihan spirit of communal unity and effort.

Lessons learnt

- Prompt payment of claims is key to improving the insurance industry's image in the low-income sector.
- For MFIs, MBAs and cooperatives, microinsurance is an opportunity to expand their own core services as well.
- Continuing support of the government, in particular the Insurance Commission, is needed to create and sustain an enabling environment.
- Regulation should create space for microinsurance innovation and have flexibility to allow insurers to adjust practices and adapt to market changes.
- Accredited organisations in the private sector should continue forging partnerships to further develop microinsurance.

Figure 7

Bayanihan is the principle of communal unity, which divides the effort and multiplies the effect.



Source: Christer Youth Ministry of the Church of Christ in Dulangan, Digos City, Davao del Sur, Philippines

Agenda

Day 2 afternoon sessions 10 November 2010

Parallel session 5

New distribution channels

Anja Smith
Director, Cenfri, South Africa
Introduction to new distribution channels

Barbara Magnoni
President, EA Consultants, USA
Understanding global migration and remittances

Huijing Yang
Division Manager, PICC, China
Case study on channel establishment of microinsurance project in PICC

Mariana Torres de Urquidi
Head of Microinsurance Business, Banco Compartamos, Mexico

To every challenge there is an innovative solution for sustainable microinsurance products

Facilitator
Michael McCord
President, MicroInsurance Centre, USA

Parallel session 6

Protecting the poor against natural disasters

Part 1
Case studies
Ramakrishnan Devaprakash
Project Director, CARE, India
Property insurance for protecting poor against natural disaster

Isabelle Delpeche
Department Manager, AIC, Haiti
Lessons learnt from the 2010 earthquake

Su Buda
Associate Professor, National Climate Center, China
Weather-index-based insurance in China – The challenges of dealing with data

Part 2 Challenges and solutions for index insurance

Thomas Mahl
Innovative Solutions Manager, Munich Re of Singapore, Singapore
Developing meso-scale solutions to protect the poor – A reinsurer's perspective

Richard Leftley
President and CEO, MicroEnsure, UK
Pitfalls of index insurance

Facilitator
Thomas Loster
Chairman, Munich Re Foundation, Germany

Parallel session 7

Client education – Insurance literacy

Hosted by the Microinsurance Network Insurance Education Working Group

Part 1
Case studies
Aurore Lambert
Project Manager, GRET, Cambodia
Insurance literacy for factory workers

Vivienne Pearson
Manager, Image and reputation, SAIA, South Africa
What works and what does not – Practical experience from the South African Insurance Association

Part 2 Workshop

Michal Matul
Research Officer, ILO/Microinsurance Innovation Facility, Switzerland

Aparna Dalal
Independent Researcher, USA

Facilitator
Ralf Radermacher
Director of Research and Training, Microinsurance Academy, India

Parallel session 8

Life insurance

Part 1
Case studies
Rob Rusconi
Researcher, Tres Consulting, South Africa
Savings and insurance – Lessons from the leaders

Martin Hintz
Consultant, Allianz Life, Indonesia
The 100-million-dollar baby – A micro-endowment success story

Hengxuan Su
Vice President, China Life, China
Experience from implementing microinsurance in China

Part 2 Workshop on Max Vijay case (India)

Facilitator
Craig Churchill
ILO/Microinsurance Innovation Facility, Switzerland

Parallel session 5

New distribution channels

One of the biggest problems faced by the microinsurance sector is finding appropriate distribution channels – all the effort is considered lost if the product cannot be distributed. This session explored distribution channels other than MFI-based ones with a focus on credit risks, and bancassurance. They use alternative approaches that

- achieve scale through concentration;
- build on an infrastructure footprint;
- employ an existing transaction platform;
- allow insurance to be sold as a stand-alone voluntary product and
- have a trusted brand.

In a review of 14 such models in South Africa, Colombia, Brazil and India, the Centre for Financial Regulation and Inclusion (Cenfri) reviewed such alternative distribution channels including cash-based retailers (e.g. supermarkets and clothing stores), credit-based retailers (e.g. furniture stores), utility and telecommunication companies, and third-party payment providers (see Table 4 for a description of the different distribution models).

The models reviewed displayed varying levels of “passivity” in engaging with the client. While some models relied on the client to initiate the transaction and provide for no verbal communication on the product, others have a very active sales process. The level of passivity of the sales process is often influenced by the level of costs imposed by market-conduct regulation in a specific country.

Table 4

Emerging alternative distribution categories reviewed in Cenfri’s study

| Channels | Characteristics and issues |
|--|---|
| Cash-based retailers (e.g. supermarkets and clothing retailers) | <ul style="list-style-type: none"> — Examples: Pep, Shoprite, Carrefour — Cash premiums — No account — Limited client information — FMCG* environment, regular interaction (client will return) — Lack of financial services culture may make active selling difficult |
| Credit-based retailers (e.g. furniture and white goods stores) | <ul style="list-style-type: none"> — Example: Casas Bahia — Existing financial services capacity allows for active selling — Credit-based contractual relationship — Extensive client data — Screened/filtered client pool — Benefit settles outstanding credit (but with some additional value) |
| Utility and telecommunications companies | <ul style="list-style-type: none"> — Examples: Codensa, Gas Natural, Telefonica, Telmex, AES Electropaulo — Contractual client relationship (account-based) — Benefits provide for continued service — Various sales approaches: agents, mail shots, in- and out-bound call centres — Low claims may signal low value to clients |
| Third-party payment providers | <ul style="list-style-type: none"> — Example: Take-it-Eezi, Cover2go, Wiredloop — No data on clients — No contractual relationship — Loose client relationship (lower reputational risk) – no trusted brand — Premium payment rather than sales channel? |

* Fast-moving consumable good

Source: Smith, Anja. Presentation “Beyond sales – Growing alternative distribution channels into one-stop shops”. 6th International Microinsurance Conference 2010



34 — Anja Smith, Cenfri, South Africa.

Parallel session 5
New distribution channels

According to the findings, alternative distribution models have placed a lot of emphasis on the premium collection process, but less on servicing and claims payment. More innovation and thinking are still required and models have to evolve in such a way that they become “one-stop shops”. The business perspective and client perspective on what is important in sales and distribution are described in Table 5.

Table 5
Balanced distribution requires a client as well as business perspective

| | Business perspective | Client perspective |
|-------------------------------------|---|---|
| Product features | <ul style="list-style-type: none"> — Realistic pricing — Ease of administration | <ul style="list-style-type: none"> — Meets needs — Simplicity |
| Sales | <ul style="list-style-type: none"> — Most important phase for business — Achieve take-up — Client retention | <ul style="list-style-type: none"> — Informed purchase decision — Understand value proposition and costs — Understand how to successfully realise value from products (servicing and claims) |
| Premium collection | <ul style="list-style-type: none"> — Low cost — Integration into insurer management system | <ul style="list-style-type: none"> — Ease/convenience — Flexibility — Low transaction cost |
| Servicing and administration | <ul style="list-style-type: none"> — Real-time information and reporting to track performance — Low cost | <ul style="list-style-type: none"> — Easy access — Ease/convenience — Low transaction costs |
| Claims processing | <ul style="list-style-type: none"> — Only pay legitimate claims — Cost-effective claims assessment and administration — Risk monitoring and management | <ul style="list-style-type: none"> — Most important phase for the client — Ability to claim successfully — Easy access — Low transaction costs — Simplicity (few documents required) — Quick turnaround |

Source: Smith, Anja. Presentation “Beyond sales – Growing alternative distribution channels into one-stop shops”. 6th International Microinsurance Conference 2010



35



36



37



38

35 — Barbara Magnoni, EA Consultants, USA.

36 — Huijing Yang, PICC, China.

37 — Mariana Torres de Urquidi, Banco Compartamos, Mexico.

38 — Michael McCord, MicroInsurance Centre, USA, facilitator of this session.

Avoiding misalignment of priorities

At the moment, sales is the most important phase in distribution from the business perspective, while claims processing is most important for the client. This misalignment of priorities is a major cause of problems in distribution.

Factors attracting these distributors to the microinsurance market can vary from retention and protection of existing clients to gaining new clients through the sale of a new product. Which of these factors motivates a distribution channel will determine the division of responsibilities between the insurer and distributor and remuneration structures.

An alternative channel needs to focus on identifying the value of microinsurance to clients by offering products that are voluntary, closer to their lives, reliable and tangible.

Successful partnerships will require dedication and a greater emphasis on servicing and claims payment, and care will need to be taken to ensure that the intermediary chain does not become longer and more expensive.

Making life insurance “stupidly simple” – Compartamos’ approach

Banco Compartamos, Mexico

Number of people insured
2,937,908

Insured risks
99% for natural and accidental death, and 1% for terminal illness and total disability

Premium range
US\$ 4 for US\$ 1,250 of benefit amount for four months of coverage

To overcome the different challenges of being the delivery channel, Banco Compartamos relies on the product development process, making sure it has good market research to understand the clients’ needs and to design products transforming these needs into reality.

The “new” channel, though involving an MFI, is notable for successfully distributing micro products that are “100% life insurance – no credit life”. Founded in 1990 as an NGO, Compartamos of Mexico has grown to be Latin America’s largest lender to micro businesses. The micro life insurance products it distributes are voluntary, with no age limit, no pre-existing conditions or other exclusions, no medical examinations and payment of claims within 48 hours.

Figure 8

Rather than merely reacting to issues, it is important to try to understand the reality of client needs. Following this process will enable products to be developed that respond to that reality.

| Marketing | Sales | Premium collections | Services | Claims |
|----------------------|--------------------|--------------------------------|----------------------------|-------------------|
| Simple products | Training | Finance for premiums | Diversification | Simple process |
| Simple methodologies | Prevention culture | Adapting to loan methodologies | Responding to client needs | Simple requisites |
| Right partner | Intangible service | Operative costs | | Time of response |

Parallel session 5
New distribution channels

Compartamos determines and monitors clients' "real needs" through what it calls a TDUF process (knowing what the clients think, do, use and feel) – by being in the field, in the everyday life of clients, amidst the priorities, responsibilities and worries they have. What life insurance meant to clients, it found, was family welfare, medical protection and funeral expenses – and the cover desired on average was MXN 12,000 (US\$ 960), costing around MXN 10 (US\$ 0.80) a month with the claim paid in cash and no complicated contracts with "small print". Therefore, Compartamos delivered life insurance made simple – even, as it claims, "stupidly simple".

Alternative distribution channels currently in use may also involve "pay when you can" family funeral plans, sale of personal accident and homeowner insurance through utility companies, using mobile money and creating disease-based clinics in churches.

In each alternative channel, as the business volume grows, so does the need for effective and sound IT systems to help create technical capacity.

Linking migration and microinsurance

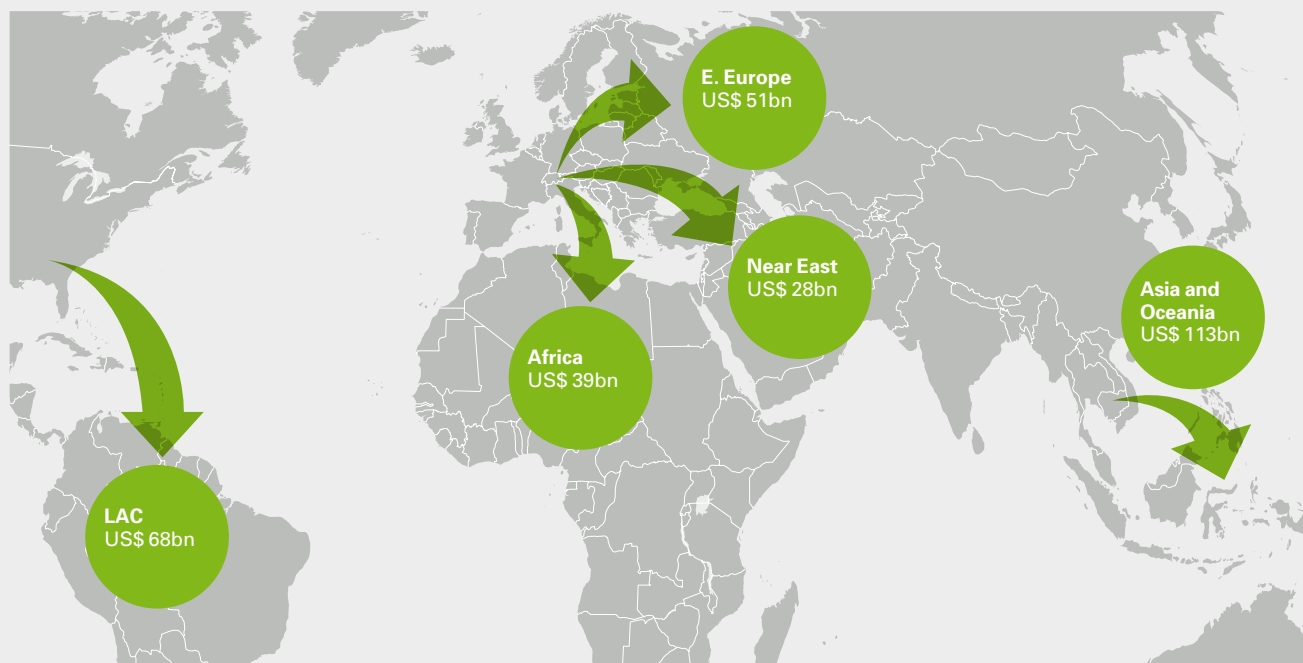
Remittances from migrants play an increasingly important role in the finance of the poor in developing and transitioning countries. A growing number of people living outside their country of origin are sending increasing amounts of money home (see Figure 9). According to International Fund for Agricultural Development (IFAD) figures from 2006, 214 million people lived outside their country of origin. Remittance flows to developing countries amounted to approx. US\$ 347bn. Most remittances flow from developed to developing countries and are more likely to pass through formal channels. Remittances predominantly flow to South Asia, former USSR and CIS, Mexico and South America.

Three types of migration-linked microinsurance models are in use covering family members in the home country, host country or a hybrid of the two.

Home-based models target migrants' families still living in the home country, and use existing channels serving local communities. Host-countries' insurers cover migrants while they are in the host country, but incur higher costs of distribution through licensed brokers and agents.

For premium collection, home-based models are able to tap into migrant remittances – although the irregularity of most remittances and the potential for money laundering are issues. Premium collection in host-based models is easy if the migrant has a bank account in the host country, but otherwise not. Issuing policies and paying claims across borders involve many logistical difficulties, exacerbated by weak cross-border customer service and information-sharing.

Figure 9
Amount of money transferred by migrant workers from and to the different regions. Arrows indicate main direction of flow of remittances. Most remittances to the Near (Middle) East come from Russia and Europe.



Microinsurance for migrant workers in China

Migrant workers have a significant presence within China too. They leave families at home in villages and head for cities to make a better living. They number some 200 million. Most have a low-income, with more than half in manufacturing and building industries and fewer than one in five covered by any insurance at work.

In March 2009, the People's Insurance Corporation of China (PICC) launched a microinsurance programme for them through seven branch offices in central, northern and southern parts of the country, where most migrant workers are located. It now provides accidental death and disability along with basic healthcare cover to roughly 605,000 migrant workers.

PICC uses part-time agents based in four kinds of public organisations – social, health, agricultural and commercial – as well as some individual agents and direct sales.

Other than migrants' insurance, there are four categories of microinsurance in China: agricultural, rural personal accident and health, farmers' household, and "five small vehicles" insurance for lorries, tractors, three-wheelers and motorcycles, which are widely used in rural areas.

PICC – Migrant workers' microinsurance

Number of people insured
604,532

Insured risks
Accidental death and disability,
basic healthcare

Premium range
US\$ 1.85 per year

A hallmark of microinsurance in China is the intensive use of sales channels for consumer education – through media exposure, secondary training, case studies, "free riding" education, and promotional events in certain places. The programme is run with significant government support, which helps increase efficiency, but is also susceptible to changes in government policies which lead to a lack of continuity in the programmes.

Lessons learnt

- Expansion of the intermediary chain may lead to a more expensive process, but it will be worthwhile if the final product is more effective and relevant to the end-user.
- As a delivery channel, take a proactive role in market research and product design – this should not be left to the insurance provider.
- To understand the clients' real needs, get to know what they think, do, use and feel (TDUF) – by being in the field, in their shoes.
- Meet and keep track of these needs with "stupidly simple" products – a key to having a sustainable microinsurance programme.
- Keeping in mind that the client always comes first and that typical insurance products are not microinsurance products will be a reminder of the importance of being innovative.
- For migrants' microinsurance, more hybrid models with multinational firms need to be explored to provide effective coverage in home and host countries. And greater effort to form partnerships with money transfer agencies (MTAs) is needed to tap into remittance flows.

"Good: Microinsurance is often sprinkled with successful pilots that don't survive the 'mainstreaming' journey. But there are rare examples of pilots that have worked towards addressing the challenges of reaching scale.

Not so good: I also believe we didn't ask critical inward-looking questions – on regional trends and enablers."

Rupalee Ruchismita, Executive Director, CIRM, India

Parallel session 6

Protecting the poor against natural disasters

Among microinsurance risks, natural catastrophes are the most challenging. It is hard enough to insure them – let alone microinsure them – because

- they may represent an accumulation of immense losses in one spot;
- claims management takes time and requires a large number of specialists;
- it is difficult to spread the risk over space or time;
- low-probability events can have a huge intensity and pose a challenge for a microinsurance portfolio.

The first part of the session had two speakers who have actually dealt with disasters – in Haiti and India – and one with index-insurance experience in China. Another two speakers in the second part explored challenges and solutions in index insurance.

Lessons from Haiti's earthquake

AIC

Established 2001, launched microinsurance products in 2007

Number of people insured
60,000+ in microinsurance portfolios

Insured risks

Current plans for credit life and funeral

Premium range

Average yearly for credit life:
US\$ 1.75 (balance of the loan and US\$ 125 indemnity)

Average monthly for funeral

US\$ 14 (according to the concentration of age bracket) for minimum burial service of US\$ 1,200

When the devastating earthquake struck Haiti on 12 January 2010, Alternative Insurance Company (AIC) had a micro catastrophe cover planned but not in place. Its two existing programmes covering its policyholders were credit life and indemnity, and voluntary base funeral. AIC learnt many lessons from the handling of claims after the earthquake.

AIC put together a crisis management team, determined procedures to follow and began the search for its policyholders. Some 60% of the dead had been buried in mass graves and AIC had no idea how many of them had been its policyholders. It had to contact its clients through a massive operation involving mobile-phone texts, press releases and phone calls. Its network of service providers and people on the ground who knew the clients was of considerable help in reaching them, managing the claims efficiently and building trust. Word of mouth and focus groups at the houses of clients and beneficiaries that AIC could locate also turned out to be effective tools in AIC's search and communication.

39 — Isabelle Delpeche, AIC, Haiti.

40 — Ramakrishnan Devaprakash, CARE, India.

41 — Left to right:
Richard Leftley, MicroEnsure, UK; Thomas Mahl, Munich Re of Singapore, Singapore.

42 — Left to right:
Thomas Loster, Munich Re Foundation, Germany; Su Buda, National Climate Center, China.



39



40



41



42

A key lesson learnt was to “know your customer” (KYC) and for each policy to have contact details for three family members as well as the beneficiary. What the earthquake experience also taught AIC was that an insurer must have a robust IT system and must incorporate flexibility in legal documentation in case of large catastrophes.

As a result of its experience, AIC designed its new Micro Cat Cover for natural forces and natural catastrophes as a mixture of index-based and indemnity-based insurance. It covers the property affected, pays off the loan balance and includes an emergency payment for funeral expenses and other needs. Among factors AIC considers key to this programme’s success are proper rating, thorough and prompt loss assessment, fraud control, and rapid and massive communication (“an investment, not an expense”).

Disaster insurance for the property of the poor in India

A vast majority of the people below the poverty line and those in communities suffering from social discrimination in India live in low-lying areas prone to flooding. The dwelling units are elementary with mud walls and thatched roofs, but their repair and maintenance take a fair amount of the families’ household income. Natural disasters and fire pose major threats.

In the aftermath of the 2004 tsunami, the Cooperative for Assistance and Relief Everywhere (CARE), which has assisted vulnerable groups in India for 60 years, and Allianz of Germany introduced microinsurance services in the coastal districts of Tamil Nadu. A study revealed that the most desired cover was for property. CARE bundled property insurance with regular accidental and health insurance policies.

In November 2008, the coastal villages of Cuddalore and Nagapattinam were badly affected by Cyclone Nisha and Allianz paid INR 434m (US\$ 9.6m) to indemnify the losses suffered by 14,405 households. The compensation, considered the largest single claim event in the history of microinsurance, benefited some 28% of the total clients enrolled under the scheme. Local NGO field staff helped with the certification of household ownership, damage assessment and claims settlement.

To spread the risk geographically, CARE then expanded the microinsurance operations beyond the coastal districts, with the financial assistance of the UK Department for International Development (DFID). Covering three more adjacent districts and making the programme sustainable involved an almost 300% increase in premium. More than 30,000 insurance policies with the revised pricing have been sold, but renewals are down to 40%.

Table 6
Significant natural catastrophes 1980–2010:
Ten deadliest natural catastrophes

| Period | Event | Affected area | Overall losses US\$ m original values | Insured losses US\$ m original values | Fatalities |
|------------------|-------------------------------|---|--|--|------------|
| 12.1.2010 | Earthquake | Haiti: Port-au-Prince, Petionville, Jacmel, Carrefour, Leogane, Petit Goave, Gressier | 8,000 | 200 | 222,570 |
| 26.12.2004 | Earthquake, tsunamis | Sri Lanka, Indonesia, Thailand, India, Bangladesh, Myanmar, Maldives, Malaysia | 10,000 | 1,000 | 220,000 |
| 2.–5.5.2008 | Cyclone Nargis, storm surge | Myanmar: Ayeyawaddy, Yangon, Bugalay, Rangun, Irrawaddy, Bago, Karen, Mon, Laputta, Haing Kyi | 4,000 | | 140,000 |
| 29.–30.04.1991 | Tropical cyclone, storm surge | Bangladesh: Gulf of Bengal, Cox’s Bazar, Chittagong, Bala, Noakhali districts, esp. Kutubdia | 3,000 | 100 | 139,000 |
| 8.10.2005 | Earthquake | Pakistan, India, Afghanistan | 5,200 | 5 | 88,000 |
| 12.5.2008 | Earthquake | China: Sichuan, Mianyang, Beichuan, Wenchuan, Shifang, Chengdu, Guangyuan, Ngawa, Ya’an | 85,000 | 300 | 84,000 |
| July–August 2003 | Heatwave, drought | France, Germany, Italy, Portugal, Romania, Spain, United Kingdom | 13,800 | 20 | 70,000 |
| July–Sept. 2010 | Heat wave | Russian Federation: Moscow region, Kolomna, Mokhovoye | 400 | | 56,000 |
| 20.6.1990 | Earthquake | Iran: Caspian Sea, Gilan province, Manjil, Rudbar; Zanjan, Safid, Qazvin | 7,100 | 100 | 40,000 |
| 8.–19.12.1999 | Landslides, flash floods | Venezuela: Vargas, La Guaira Punta de Mulatos, Miranda, Nueva Esparta, Yaracuy. Colombia | 3,200 | 220 | 30,000 |

Source: 2011 Munich Re, Geo Risks Research, NatCatSERVICE, as at March 2011

Parallel session 6
 Protecting the poor
 against natural disasters

Apart from the lack of reinsurance support, a dilemma at the core of the programme is that without property cover the microinsurance product becomes less attractive to the community, but with property cover pricing becomes an issue. Education to make the community aware of the importance of insurance is also challenging – for clients find it hard to distinguish between government relief and an insurance claim once a disaster like Nisha has devastated villages.

Dealing with data for index insurance

Losses caused by extreme weather have increased in China – as elsewhere – over the past years and decades; they now amount to about 3% of the annual GDP. To help cope with these perils, GIZ Germany and China Insurance Regulatory Commission (CIRC) initiated a project on weather-index-based insurance in the typhoon-prone Fujian province in 2008 – with the National Climate Center of the China Meteorological Administration (CMA) providing expertise on meteorological data, analysis and applications.

Obtaining comprehensive, reliable and harmonised loss data to find an acceptable parametric trigger for the insurance cover turned out to be the main challenge. Though damage and loss figures related to weather-induced disasters had been recorded by the CMA, they were mostly not broken down by type of loss – agricultural, industrial or others. Furthermore, some information was not available for national security reasons. So the data that could be gathered was used to obtain only a general understanding of the trends of losses.

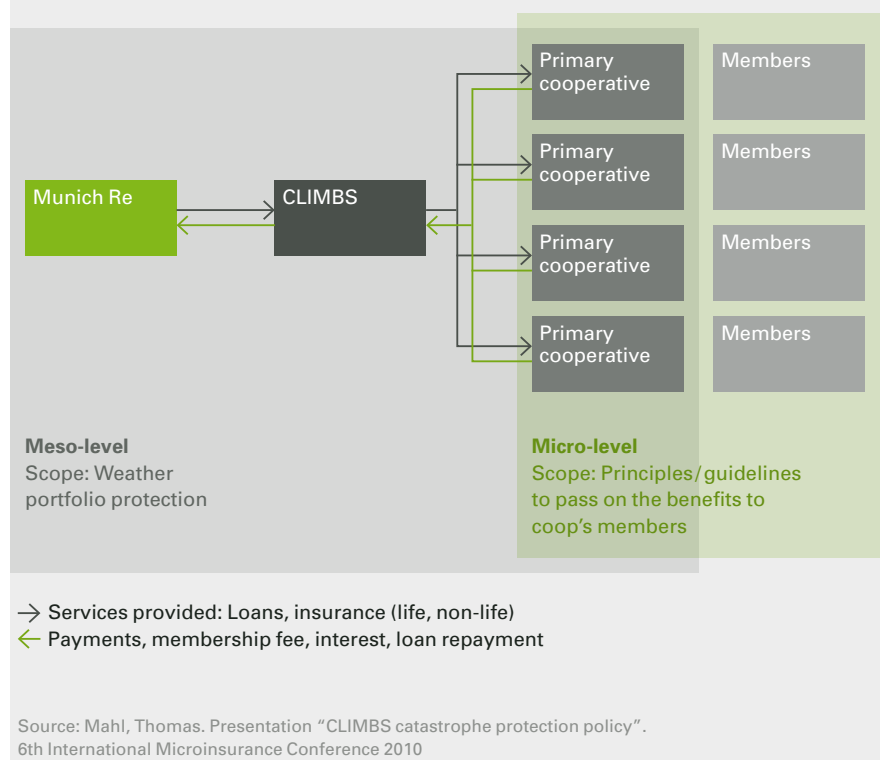
For trigger estimation, wind speed and daily precipitation figures were overlaid with the economic loss data. Weather data had to be interpolated between stations of different altitude. To ensure the reliability of weather stations – in case some failed during a typhoon – a back-up station at the same altitude was determined for each, measuring the same trigger on the same day.

As a rule, 30 years of data and data density are needed for an index-based product. In Fujian province, the 66 weather stations of the CMA had been collecting the required data since 1961.

Formalising informal risk sharing

In the Philippines, Munich Re, in partnership with GIZ, has developed an index-based catastrophe protection policy for recovery of loans in default because of a natural disaster by members of 1,677 primary cooperatives insured with CLIMBS. Named “Weather Protect”, the policy is a meso-level solution formalising informal risk-sharing among cooperatives and doing without the cost burden of an intermediary commercial insurer (see Figure 10).

Figure 10
CLIMBS – Catastrophe Protection for Cooperatives



Source: Mahl, Thomas. Presentation “CLIMBS catastrophe protection policy”.
 6th International Microinsurance Conference 2010

The policy provides for a payout to be made after extreme rainfall or strong wind. Surprisingly, in the Philippines both trigger events rarely occur in the same place at the same time. Typhoons tend to be very rainy or very windy. The cover is based on triggers – one each for the 1,632 municipalities – developed using 10-, 15- and 20-year data periods and monitored by a satellite system. The immediate cash and liquidity given to the cooperative affected will help its members jointly manage the aftermath of a natural disaster.

The annual premium is 3.5% of the accrued loans. This is a very cheap product compared to interest rates in other lending businesses. There is just one premium rate for the whole country: “How often can a co-op in a municipality claim – one typhoon a week?”

GIZ, as a partner, is involved in capacity-building. Confidence and trust in the product and transparency are viewed as essential to its success. Every insured cooperative will have an individual code for direct access to a web-based real-time system monitoring a storm’s effect on its municipality. Trigger evaluation will be by an outside organisation, the Danish Hydraulic Institute (DHI).

Dry day concept builds on index crop insurance

MicroEnsure, Malawi
Weather-index crop insurance

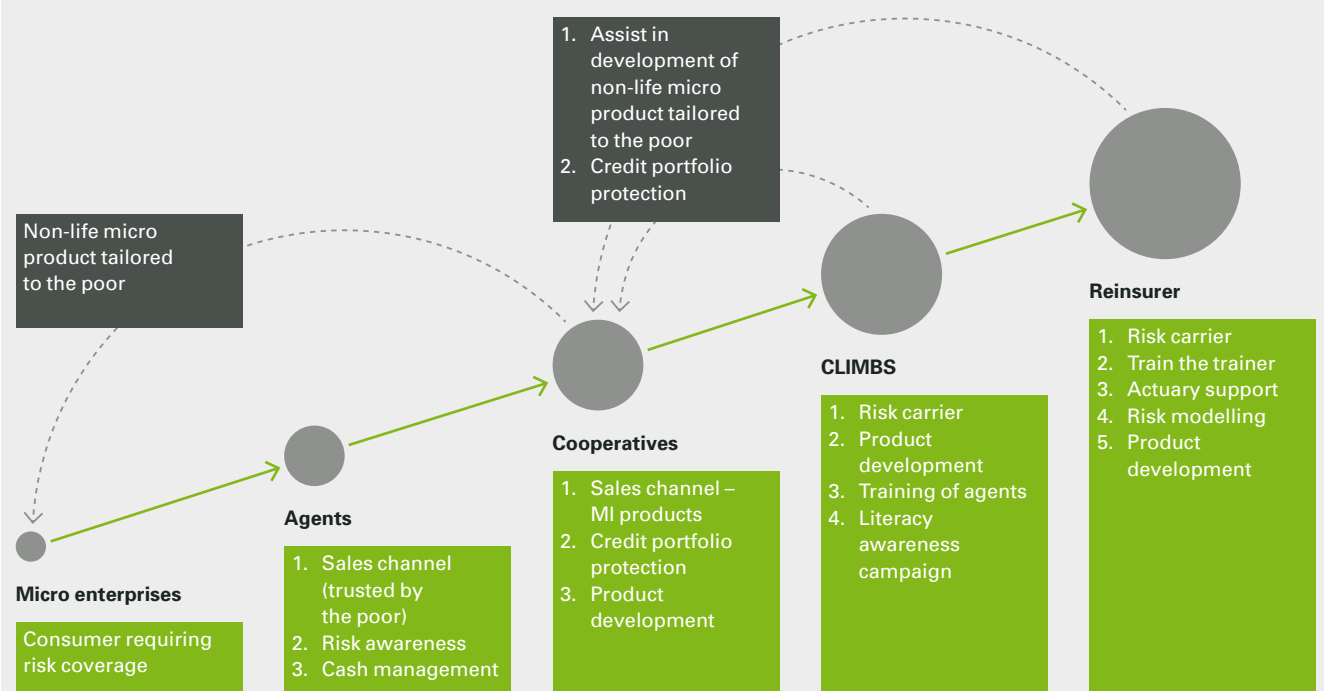
Number of people insured
272 (maize), 815 (tobacco)

Insured risks
Drought, excess rain

Premium range
8.5% (maize), 5% (tobacco)

MicroEnsure of the UK introduced a weather-index crop-insurance pilot in Malawi for the 2005–06 growing season. It protected farmers against crop failure caused by drought or excess rain. The scheme linked farms to local weather stations and triggered an automatic payout; farmers did not have to file a claim or await loss verification.

Figure 11
Microinsurance value chain



Source: Mahl, Thomas. Presentation “CLIMBS catastrophe protection policy”. 6th International Microinsurance Conference 2010

Parallel session 6
Protecting the poor
against natural disasters

The pilot's success led to the scheme's extension to Tanzania, Rwanda, India and the Philippines. In the process MicroEnsure developed a "dry day concept" for the drought cover, taking into account the number of days crops have not had rain. In the event of severe drought, all farmers receive compensation.

The key challenge to dry day weather microinsurance is the lack of ground-based weather stations, requiring reliance on data from a satellite such as Meteosat. Other challenges from MicroEnsure's perspective include:

- The number of farmers in the area covered by a weather station is limited, making scaling-up for sustainability difficult.
- Lack of support in the regulatory environment as government-owned crop insurers feel threatened by new entrants.
- To be acceptable, pricing needs to range from 3 to 5% of the sum insured, while the scheme requires 10%.
- Poor farmers individually are not willing to pay premiums as they expect free relief from the government. An aggregator, such as a co-op, can pay for the risk to its portfolio.
- Subsidies for farmers in developed countries are generally accepted; why should poor farmers elsewhere be expected to pay for everything?
- Index-based schemes being tested should not be deemed agro insurance; they are microinsurance, producing ready cash for relief immediately after a natural disaster.

Lessons learnt

- Quick, efficient and massive communication is essential after a disaster. Immediate focus groups give better results when infrastructure is lacking.
- Natural disaster products should be mandatory, and they need reinsurance.
- Coverage for property insurance should be bundled with other life and non-life related risks to increase the take-up rate.
- Expand project operations to areas with less exposure to natural disasters.
- An index-based product should be sold not to individuals but to an aggregator.
- Where satellite technology is in the formative stage, consider a hybrid system combining it with ground-based stations.
- Governments should be lobbied to encourage a more supportive regulatory environment for index-based schemes.

Parallel session 7

Client education – Insurance literacy

This interactive session comprised three case studies illustrating the most common difficulties in client education and a workshop.

Client education is not the same as marketing. For one thing, it concerns insurance in general while marketing may focus on one or more products. Education should benefit not only clients but also institutions, and it has to be done in an effective way. There is no universally applicable standard approach as the characteristics, needs and conditions of each organisation, let alone each country, are different. In general, the tools developed focus on training, games, videos, movies and radio.

Undertaking education as a long-term participative process

In Cambodia, GRET (Groupe de Recherche et d'Échanges Technologiques) – a solidarity and international cooperation association – is addressing complications of health insurance education in HIP, a health insurance programme involving the Garment Manufactures Association of Cambodia (GMAC). The purpose is to pilot the implementation of the compulsory health component of the National Social Security Fund in 2011. HIP offers micro health insurance coverage for garment workers, with 50% of the premium contributed by employers.

Though by September 2010, 4,400 workers in eight factories were covered by HIP, educating them and getting them on side turned out to be more difficult than expected. Apart from limited interest and preconceived ideas about health and cures on the part of workers, the main challenge was a fragile level of trust, both between them and union representatives and between the union and management. This hurdle was overcome, at least in part, by involving opinion leaders and others whose influence and logistical support were needed for effective communication with workers.

Another measure that is proving helpful is to embark on a long-term process of education, keeping a facilitator available on location for frequent contacts to address the ongoing questions and concerns – of management and union leaders as well as workers. Participation and involvement of all the beneficiaries and stakeholders in the educational drive will help increase their understanding of the insurance scheme and bring them closer together to strengthen the organisation.

Reviewing cost and benefit to enhance impact

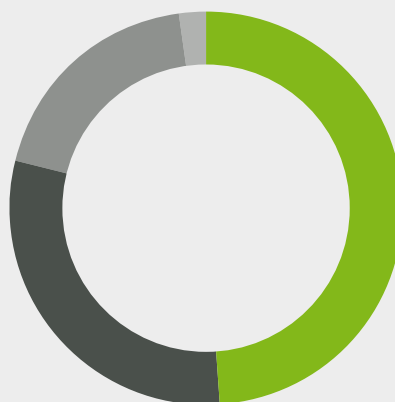
The South African Insurance Association (SAIA), representing 58 property-casualty insurers, is implementing the findings of a cost-benefit analysis and conducting a review of a financial literacy initiative taken on behalf of the industry since 2004.

At a cost of ZAR 54m (US\$ 7.3m) over six years, SAIA has undertaken at least three projects per year in three categories – Inzala community workshops, teacher development and school leavers' project, and Computanet (IT awareness), reaching more than 15 million people. The tools used have ranged from workbooks, CDs and posters to info kiosks, radio and TV infomercials and live performances.

In 2008, the ILO conducted an analysis of SAIA's financial literacy programme and recommended refining the target audience of projects, refocusing content from generic to risk management and insurance topics, linking education more closely to product access, and institutionalising the programme within SAIA for branding to clients.

Figure 12

ILO Study: Overall project spend and reach. The purpose of this study of South Africa's financial literacy programme was to add to the growing body of insurance education experiences and to help maximise its impact.



| | |
|-----------------------------|-----------------------|
| Inzala: | 49% |
| Total no of participants: | 61,609 |
| Total cost per head: | ZAR 281 (US\$37.67) |
| Intensity of engagement: | High |
| Teacher development: | 30% |
| Total no of participants: | 900,000 |
| Total cost per head: | ZAR 12 (US\$ 1.60) |
| Intensity of engagement: | High |
| Comutanet: | 19% |
| Total no of participants: | 14,612,184 |
| Total cost per head: | ZAR 0.44 (US 6 cents) |
| Intensity of engagement: | Low |
| Management fee: | 2% |

Parallel session 6

Protecting the poor
against natural disasters**Making insurance education a part of
preparedness for disaster**

CARE India described the CARE initiative and indicated that their main problem is the sustainability of client education. Following relief operations in the aftermath of the 2004 tsunami, CARE India introduced a microinsurance programme supported by Allianz and integrated with community-based disaster preparedness. To carry out education activities for potential users of microinsurance services, CARE India identified and trained NGO partners to act as intermediaries.

The majority of clients are daily-wage agricultural workers, with low literacy and little insurance knowledge. As victims of a natural disaster, they are familiar with relief provided by government and various agencies but not with insurance protection for which they need to pay. With the help of NGO partners who have earned the trust of communities, CARE uses a variety of group and one-on-one opportunities for the ongoing explanation of insurance to clients. While client education requires a long-term commitment, sustaining it is difficult for a relief organisation without the help of the insurance industry. A goal of CARE is to generate such an interest and synergy among all sectors involved in vulnerable communities to make insurance education a fundamental part of their agenda rather than something they might attempt after a natural disaster.

**A lasting impact through
face-to-face learning**

In India the Microinsurance Academy (MIA) has been developing innovative approaches to insurance education, like the Treasure Pot Game, which helps participants understand how pooling risks is better than out-of-pocket spending, and a full-length Bollywood style “infotainment” movie “Sab Tujhse Hai” (“Everything depends on you”), which features a strong message on community-based microinsurance and is available on MIA’s You Tube channel.



43



44



45

43 — Left to right:
Vivienne Pearson, SAIA, South
Africa; Aurore Lambert,
GRET, Cambodia; Ralf
Radermacher, Microinsurance
Academy, India.

44 — Michal Matul, ILO/
Microinsurance Innovation
Facility, Switzerland.

45 — Aparna Dalal,
independent researcher, USA.

In Brazil, the insurance confederation Confederação Nacional das Empresas de Seguros (CNSeg) has been conducting a multimedia campaign – including a radio soap opera, a short film and street theatre – to raise awareness and educate low-income insurance consumers: individuals and commercial enterprises in the formal or informal economy.

In Kenya, Microfinance Opportunities is carrying out a participatory radio campaign to give consumers the knowledge and skills to move from reactive to proactive risk management strategies such as insurance.

Such experiences in the field point to the need for a long-term integrated approach and a systematic effort to teach risk-management strategies and the role of insurance. The focus should be not only on content and delivery but also on the sustainability and impact of client education.

Content on insurance should be layered with other financial concepts and deal with what people know about insurance, their previous risk exposure and how they think about risks.

Delivery should mix channels and tools to reinforce messages, and make education participatory, for example, by using the community to create a video or interactive game.

For sustainability and impact, leverage existing institutions and pool resources, and incorporate monitoring and evaluation activities from the start.

Lessons learnt

- Distinguish client education from marketing, and take into account the organisation's specific characteristics and conditions.
- Education as a long-term participative process will have a lasting impact.
- A cost-benefit analysis should be the centrepiece of monitoring and evaluation measures undertaken from the start.
- Undertake insurance education before a loss or disaster forces it on clients.
- Base education on what people already know and have experienced.
- Involve the community's self-help groups to build trust.

Figure 13
Hollard's conversational map



Hollard Insurance Group of South Africa organises three-hour workshops in which participants are introduced to a "conversational map" that represents a community with houses, shops, factories and hospitals. The map features a number of insurable events to participants. The trainer explains the benefits an insurance policy would provide in each event, as well as the rights and responsibilities of both the insurer and the insured.

Parallel session 8

Life insurance

While credit-life insurance often serves as a starting point for an MFI engaging in microinsurance, life insurance goes beyond the members' loans. Coupled with savings it can be an attractive proposition for clients (see Box 5).

This session featured three savings-life schemes and a rural microinsurance programme. All four are demonstrably aimed at the poor. The three savings-life products were introduced in India and have a track record in the market: SBI Grameen Shakti, Bajaj Allianz's Sarva Shakti Suraksha, later adapted in Indonesia as Tamadera, and Max Vijay. The rural programme is in China.

Group microinsurance with refund of premiums

SBI Life

Number of people insured
1,000,000+

Insured risks
Group life insurance

Premium range
US\$ 6.64 per year for
US\$ 550 sum assured

SBI Life, a joint venture of the State Bank of India and BNP Paribas of France, launched this product in December 2007 for the weaker sections of society – people belonging to MFIs and other financial institutions, NGOs and self-help groups.

Grameen Shakti ("rural power") encourages saving and provides life protection. It is a group insurance product with a 50% premium return after five years, or a 100% return after ten. The group chooses its cover in multiples of INR 5,000 (US\$ 110.93), up to INR 25,000 (US\$ 554.63). Upon reaching a ceiling of INR 50,000 (US\$ 1,109.25) per group, the policy is cancelled and all premiums are returned, an event the insurer considers unlikely.

In addition to maturity benefits, the plan provides a surrender value and death benefit. There is an age limit for application (minimum 18, maximum 50).

The product has been well received by the market. For a five-year term the premium payable is INR 301 (US\$ 6.64) per year for a sum assured of INR 25,000.

Box 5

Put simply

Life insurance pays a specified amount to the named beneficiary upon the death of the insured. One may buy it individually or as part of a group, as a permanent or endowment policy including protection plus a cash value, or as a term policy for a limited period with no cash value.

Credit-life insurance repays a loan upon the insured's death – "the debt dies with the debtor". A lender may require this insurance before approving a loan. The policy can be for life or a term. The difference from regular life insurance is that the beneficiary is the lender, not anyone chosen by the insured.

Savings-life insurance is attached to the insured's savings account at a financial institution. Upon death, it pays a set amount related to savings to the beneficiary named by the insured. Added to savings, this insurance is intended to have better value for the client than a life policy alone.



46



47



48



49

46 — Martin Hintz, Allianz Life, Indonesia.

47 — Craig Churchill, ILO/Microinsurance Innovation Facility, Switzerland.

48 — Rob Rusconi, Tres Consulting, South Africa.

49 — Hengxuan Su, China Life, China.

Success and scale-up of micro endowment

Sarva Shakti Suraksha (SSS)

Number of people insured
3,300,000

Insured risks
Death due to natural causes and accidental death

Premium range
US\$ 11–110 per month

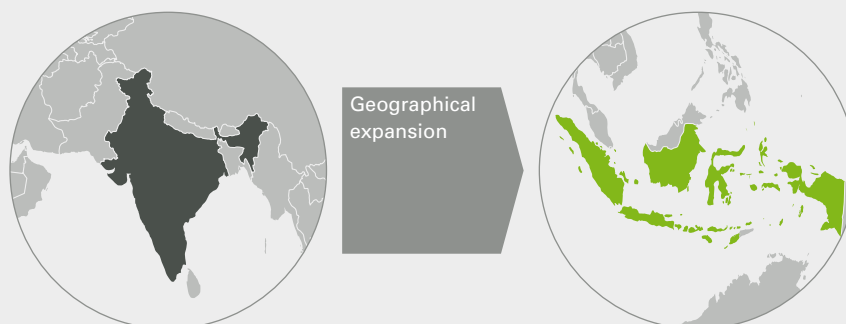
Touted as “the 100-million-dollar baby”, Sarva Shakti Suraksha (SSS), created in April 2008 by Bajaj Allianz Life, has already achieved sales of three million policies. It has generated premiums of US\$ 25.4m and 75m in the last two fiscal years. It can now be considered the “biggest microinsurance scheme by a commercial insurer worldwide”.

SSS is distributed as a voluntary group product through a partnership with SKS Microfinance, India’s largest MFI with 7.8 million clients, and more than 30 other organisations, including the 365,000-member Punjab State Milk Producers’ Federation.

SSS (meaning “all empowering protection”) was conceived as an endowment plan combining the benefits of life insurance and savings for the financially excluded. Among its firsts was to do away with the cumbersome application form and require no documentation.

For a minimum premium of US\$ 0.40 per week, SSS provides a death benefit of US\$ 100 and the account value, or US\$ 200 plus account value for accidental death. Savings are subject to an administration fee and invested in government securities and other secure assets. At maturity after five years, the policyholder receives the account value – that is, net premiums plus interest. Surrender is possible after six months and subject to a fee.

Figure 14
Difficulties with the geographical expansion of SSS from India to Indonesia. Relatively higher income and literacy levels, a lower appreciation of life coverage and stronger competition from informal saving schemes in Indonesia led Allianz Life Indonesia to reconsider some key product features while replicating the micro endowment scheme that has taken hold in India.



| | | | |
|---|---|---|--|
| India Population 1.1 billion HDI #128 | — “SSS” — Launched April 2008 — >3 million policies | Indonesia Population 240 million HDI #107 | — “TAMADERA” — Launched October 2010 — Three-year target: 100,000 policies |
|---|---|---|--|

| Example | India | Indonesia | Indonesia vs. India |
|----------------------------|---|--|--|
| Distribution | High number of large partners (MFIs, RRBs, Coops) | Fragmented, small number of large partners | Harder to reach scale |
| Poverty level (US\$ 2/day) | 80.4% | 52.4% | Higher premium-payment capacity |
| Literacy | Low (20% of SKS customers) | High (80% of MFI customers) | Easier to communicate product features |
| ROSCAs | Not pervasive (“Chit Funds”) | Pervasive (“Arisan Funds”) | Stronger competition from informal savings |
| Life coverage | Highly valued | Not highly valued (taboo) | Life coverage alone not a strong selling proposition |

Source: Hintz, Martin. Presentation “The 100-million-dollar baby. Successful scale-up of Allianz micro endowments”. 6th International Microinsurance Conference 2010

Parallel session 8
Life insurance

The product has a 13-month persistency of 82% (as at July 2010) and an expense under-run is expected for the fiscal year 2010/2011.

Building on this success, Allianz, the global partner of Bajaj Group in the venture, decided to take the product to Indonesia under the label Tamadera.

Tamadera has a higher minimum contribution, US\$ 1 per week, and features a critical illness cover (for cancer, stroke, heart attack, kidney failure and major burns). In the event of death, critical illness or maturity, the targeted savings amount is returned to customers.

Both products target not only the very poor, but also clients slightly better off though still low-income. Tamadera has a maximum contribution of US\$ 10 per week, which is close to the company's already existing savings plan distributed through its "non-microinsurance" channels to its regular customers. It thus closes a "gap" in the company's product offering, allowing Allianz to cater for the full range of clients in Indonesia. Having not only the very poor, but also lower middle-class clients also increases the financial viability of the product. Despite differences in the markets, it was possible to adapt the product, as some features, such as lower policy levels and higher premiums in Indonesia, offset the lower economies of scale compared to India.

Box 6
Rising to the challenge

In 2001 Max New York Life became one of the first insurance companies set up after the market in India was opened to the private sector. A separate unit dedicated to the low-income market in 2008 unveiled its flagship product Max Vijay.

It provides the dual benefit of protection and savings over ten years for an initial enrolment premium at three levels: INR 1,000, 1,500 and 2,500 (US\$ 22.20, 33.30 and 55.50). Whilst regular life insurance has fixed renewal premiums and sums assured, Max Vijay's subsequent premiums are completely flexible, subject to a minimum of INR 10 (US\$ 0.22) and maximum of INR 2,500 per day per policy.

The death benefit equals five times the savings contributed up to that point.

The flexibility of premium payment and frequency is Max Vijay's key innovation: top-ups can be made whenever convenient for the client, using convenient outreach channels like neighbourhood mom-and-pop stores. In addition, to facilitate sales in low-tech environments, the company operates a call centre for back-up support, uses scratch cards and has tested other innovative point-of-sale devices under a grant from the ILO's Microinsurance Innovation Facility.

The product has not been a financial success in the short term, as fewer than 100,000 clients have signed up so far. The high up-front payment of INR 1,000 and the long duration of ten years appear to be barriers to increasing uptake. Also, subsequent top-ups have not materialised as hoped: savers may not be inclined to make regular contributions without a contractual obligation. A factor may also be clients' lack of trust in mom-and-pop stores.

Among marketing and other options being proposed to address these issues are some that would fundamentally change the product, for example by making it a compulsory saving scheme.

Max New York Life has shown a strong dedication to the product, invested a significant amount of money (US\$ 20m) in marketing efforts and pursued the business opportunity despite lower-than-expected initial sales.

A case study of Max Vijay is available from the ILO's Microinsurance Innovation Facility (www.ilo.org/microinsurance).

Rural small-sum life insurance

China Life's rural small-sum insurance

Number of people insured
11,480,000

Insured risks
Death, accidental disability

Premium range
US\$ 1.80 per year

The development and promotion of China Life's microinsurance products have gone through two stages: spontaneous promotion, and independent innovation.

In its stage of spontaneous promotion, China Life began to promote simple life insurance as early as 1983. Originally sold to the population as a whole, the company later targeted especially rural people with lower income. The product covers death and accidental disability, with a minimum premium of CNY 1 (US\$ 0.15) payable per month.

The independent innovation stage began in 2008 when the China Insurance Regulatory Commission issued a "pilot plan of rural small sum life insurance" to respond to the challenges in rural and rapidly urbanising areas. China Life then developed nine exclusive small insurance products in 2008 and three more covering additional risks in 2009. These include ordinary and traffic accident insurance, term life insurance and products covering microcredit. Insurance products are renewed automatically, without a waiting period, and have a 60-day grace period. All products are priced on a non- or low-profit basis to reflect the company's social responsibility.

China Life distributes its products directly through village service teams, and indirectly through various group channels. These include public medical schemes, banks, the postal system and others. The company plans to develop further innovative microinsurance products with a focus on the new "Medicare" scheme and on migrant workers. It also intends to explore new distribution channels, including grass-roots organisations and rural financial institutions.

Lessons learnt

- A financial literacy drive needs to accompany marketing of products aimed at the low-income sector.
- Initial reliance on one partner as a major distributor can impede growth and create a liability in the product portfolio. Expand partner network.
- Monitor and upgrade the back-office support and IT system at partner level.
- While conventional business covers the affluent and middle classes, microinsurers may focus on the working poor and helping to uplift those too poor to insure. The lower middle class and "upper poor" class may be the forgotten middle ground where microinsurers can tap opportunities for growth.
- Every market is different. Products taken from one to another should be adapted rather than duplicated.
- For distribution, push channels (MFIs and other partner groups) are good for initial sales, but pull channels (local retailers where clients shop daily) are better for renewals and savings top-ups.
- A product making a footprint in the low-income market can lead to cross-selling opportunities later.

Agenda

Day 3 morning sessions 11 November 2010

Parallel session 9

Driving down cost – Process-mapping to increase efficiency in microinsurance processes

Roland Steinmann
Consultant, MicroInsurance Centre, USA
Introduction to process-mapping

Hanna Schommer
Financial Systems Development Adviser, GIZ, Ghana
Lessons learnt from providing technical assistance on process optimisation

Edmund Diamond Addo
Head of Operations, Donewell Life, Ghana
Experience from the application of the mapping toolkit

Facilitator
Michael McCord
President, MicroInsurance Centre, USA

Parallel session 10

Developing national microinsurance strategies

Martina Wiedmaier-Pfister
Consultant, GIZ, Germany
Access to insurance initiative – Creating an enabling environment for microinsurance

Lemmy Manje
Project Coordinator, ILO/Finmark Trust, Zambia
Multi-sector stakeholder engagement and local ownership – Microinsurance development strategy and process in Zambia

Christine Hougaard
Consultant, Cenfri, South Africa
A winning strategy? Notes on the country experience so far in developing microinsurance

Facilitator
Doubell Chamberlain
Managing Director, Cenfri, South Africa

Parallel session 11

Academic track – Impact of microinsurance

Seyed Hamid
Assistant Professor, University of Dhaka, Bangladesh
Evaluating the health effects of micro health insurance placement – Evidence from Bangladesh

Daniel Stein
Researcher, London School of Economics, UK
Paying premiums with the insurer's money – Insurance decisions in a repeated interaction

Akhil Behl
Analyst, CIRM/IFMR, India
Impact evaluation of health microinsurance through RCT – Two interventions targeting better renewal rates and health outcomes

Facilitator
Dean Karlan
Professor of Economics, Yale University, USA

Parallel session 12

Social performance indicators for microinsurance

Hosted by the Microinsurance Network Performance Indicators Working Group

Discussants
Shailabh Kumar
General Manager, Uplift India Assoc., India

Brandon Mathews
Head of Microinsurance, Zurich Financial Services, Switzerland

Matthew Genazzini
Programme Assistant, ADA, Luxembourg

Facilitator
Bert Opdebeeck
Microinsurance Programme Coordinator, Belgian Raiffeisen Foundation, Belgium

Plenary 3

Academic track – Do the poor benefit from insurance?

Introduction
Dean Karlan
Professor of Economics, Yale University, USA
Impact of microinsurance

Discussants
Glenn Harrison
Director, CEAR/Georgia State University, USA
What is the research agenda needed to answer the question?

Martin Hintz
Consultant, Allianz Life, Indonesia
What does the insurance industry need from the academics?

Facilitator
Richard Phillips
Chair of the Risk Management and Insurance Department, Georgia State University, USA

Parallel session 9

Driving down cost – Process-mapping to increase efficiency in microinsurance processes

“Process optimisation is the key issue in evaluation.”

Michelle Yang, Actuarial/Product Department, Product Development Division, PICC, China

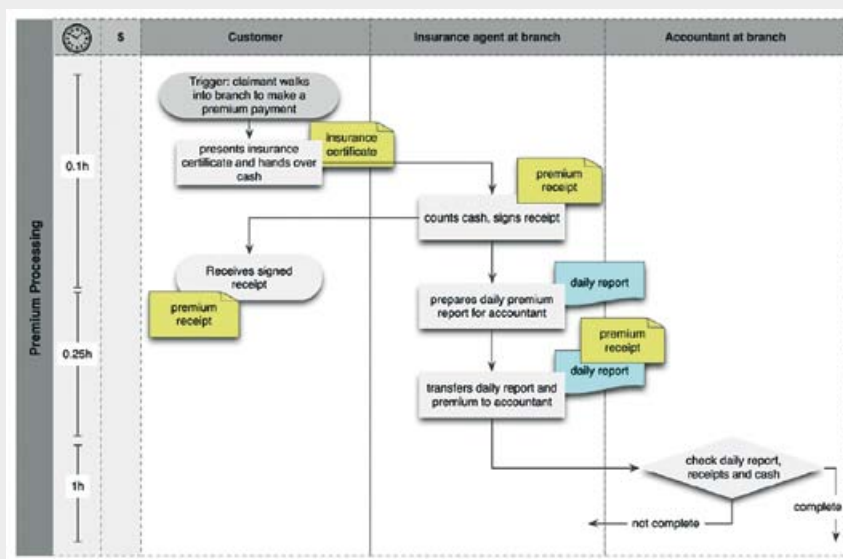
Reducing the administrative costs involved in providing microinsurance is key to making microinsurance products more accessible to the end-user. The session introduced process-mapping as a tool for driving down costs, reviewed a case of technical assistance on process optimisation and provided the viewpoint of a provider using a process-mapping toolkit.

Process-mapping is a technique used to describe business processes visually, making it easier to analyse and improve them (see Figure 15). In addition to the sequence of steps, the analysis focuses on the five key dimensions of the process: time, complexity, costs, risks and responsibilities attached to each stage of the process. A process map helps people understand clearly how business is done, and serves as a basis for improving service quality. At the same time it can highlight which parts of the product design or the service process the parties involved need to understand better.

Issues a process map may often highlight include the physical transfer of documents, dead time, duplication of tasks (e.g. checking for completeness) and multiple data entries to different systems. The solutions generally entail optimising existing processes (removing bottlenecks and redundancies, maintaining adequate controls) and using technology (to improve the efficiency of client enrolment, premium collection, client communication and client identification).

Process-mapping – involving could-be and should-be maps as well as an as-is map – is a significant tool as it helps reduce operational costs. It can lead to higher client retention rates, lower operational and reputational risk and an expansion of the market, resulting in economies of scale – all of particular concern in the context of a price-sensitive low-income client. Another impact is on the organisation’s internal culture. Participating in the exercise and seeing results can boost staff morale and job satisfaction. It may even serve as an eye-opener for management.

Figure 15
Screenshot of process map example: Standard signs, figures and arrows are used to represent a process graphically



Source: Steinmann, Roland. Presentation “Efficient business processes. An introduction to process-mapping”. 6th International Microinsurance Conference 2010

Parallel session 9

Driving down cost – Process-mapping to increase efficiency in microinsurance processes

Applying a process-mapping toolkit

The MicroInsurance Centre has developed a toolkit to make process-mapping accessible to microinsurance practitioners. The toolkit is being field-tested in Bangladesh, the Philippines, Kenya and Ghana.

The test in Ghana was sponsored by GIZ of Germany in collaboration with the MicroInsurance Centre at Donewell Life Company. The aim is to assess Donewell's processes for premium collection and claims payment. In the claims part of the test the use of the toolkit identified a number of core issues:

- Exclusions add to costs and processing time
- Delays in claim payment cause dissatisfaction and increase the potential for lapses by other policyholders
- Manual calculations are needed to deal with software problems
- Communication gaps between head office and branches erode productivity
- Low accountability due to lack of central claims tracking
- Redundancies due to multiple reviews and signatories
- Controls not adjusted for lower financial levels
- Weak system of performance monitoring and incentives

Application of the toolkit resulted in recommendations ranging from simpler product design with limited exclusions to centralising claims tracking and eliminating multiple checks. An example was the reduction of 4.5 days in processing by avoiding the unnecessary involvement of the underwriter (see Figure 16 and note the use of the process-mapping symbols).

In Donewell's case, the impact of process-mapping was spread across the five dimensions of a process spotlighted by the toolkit (see Figure 17). The exercise was rewarding but time-consuming as it involved selecting claims, visiting branch offices, workshops with staff and management, and training staff to implement changes. The dedication and support of staff and management were critical to the success of process-mapping.



50

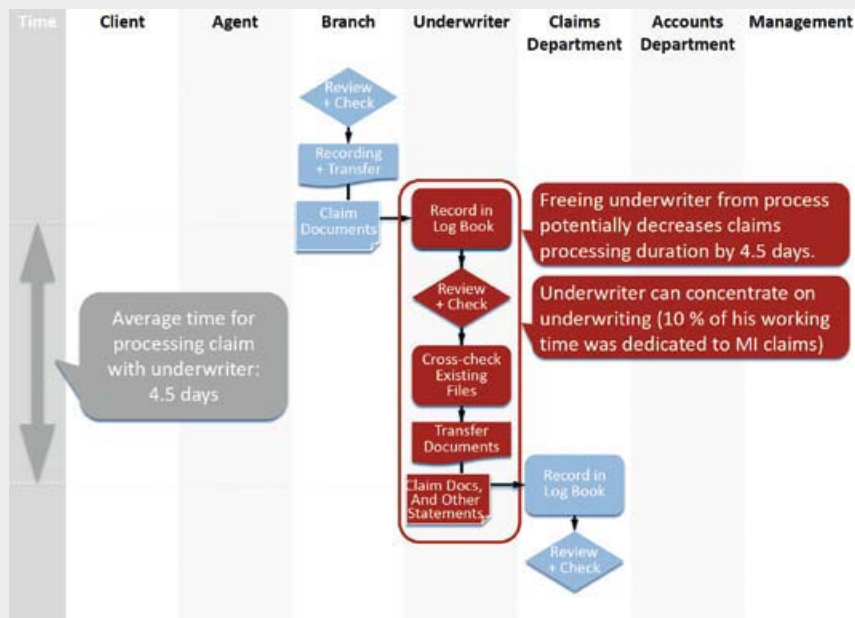
50 — Left to right: Roland Steinmann, Micro-Insurance Centre, USA; Hanna Schommer, GIZ, Ghana.

51 — Edmund Diamond Addo, Donewell Life, Ghana.



51

Figure 16
Screenshot of process-mapping at Donewell Life, Ghana,
revealed an unnecessary step which was adding an extra 4.5 days
to the claims process.

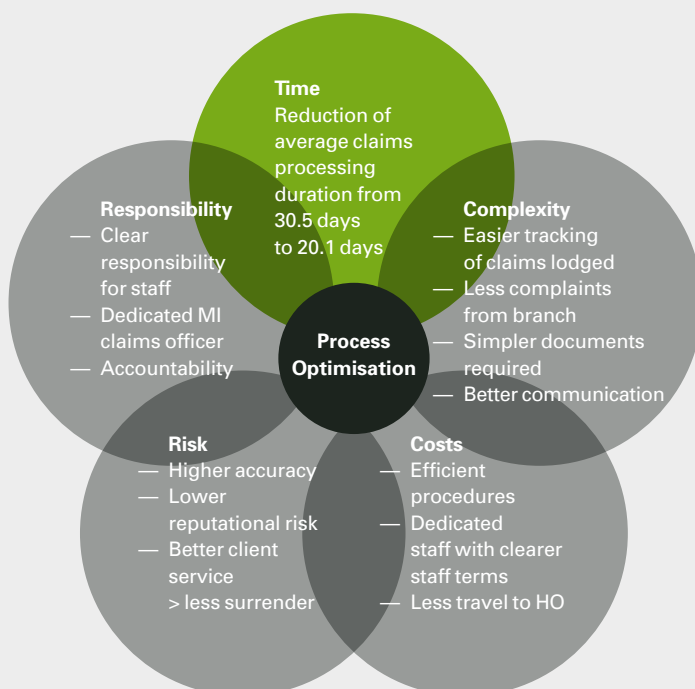


Source: Addo, Edmund (Donewell Life Company Limited). Presentation “Claims process-mapping for Donewell Life: Recommendations from a mentor and the impact on our business”. 6th International Microinsurance Conference 2010

Lessons learnt

- Like a good roadmap for driving, process-mapping can show a business how to avoid hurdles along the way to a desired end.
- Process-mapping involves time and effort – but the time and effort are well worthwhile. Major improvements can come from relatively easy changes in the way business is done.
- Cooperation and buy-in of staff and top management are essential to get results – as are training staff and educating clients.
- Process and product are often interlinked. A microinsurer’s target market does not understand exclusions. It may be possible to redesign, re-underwrite and re-price the product to accommodate payment for losses that would otherwise have been excluded.
- A microinsurer needs to have simple products and simple processes to go with them.

Figure 17
Remarkable impact: Using the process-mapping
toolkit produced notable results.



Source: Addo, Edmund (Donewell Life Company Limited). Presentation “Claims process-mapping for Donewell Life: Recommendations from a mentor and the impact on our business”. 6th International Microinsurance Conference 2010

Parallel session 10

Developing national microinsurance strategies

This session addressed the question of how to develop microinsurance at a national level. The Access to Insurance Initiative (a2ii), Cenfri and Finmark Trust have developed process guidelines for country-level microinsurance development strategies, which were applied in the case of Zambia (see Figures 18 and 19).

Country diagnostic: Make the shoe fit

The starting point for the development of a national microinsurance strategy is to understand the market and the players. No standard solution can fit all countries. It is important to understand the microinsurance ecosystem: the value chain, stakeholders, the regulatory and social environment, the infrastructure, the stage of development of the market. All players must be involved from the outset, including private insurers, regulators, government representatives, associations, NGOs, donors, research organisations, training providers, technical assistance providers, etc.

The diagnostic made in Zambia showed issues both on the demand side (e.g. understanding of insurance among target groups, limited exposure to microinsurance, bad perception of insurance) and on the supply side (e.g. low market knowledge, limited use of dynamic distribution channels, limited product innovation). A significant side-effect of the diagnostic was that the studies made have stimulated the private sector and helped it to understand the market.

Define goals and develop a strategy

The first question to address is defining the goals pursued. This can be to make microinsurance a policy and market priority, to promote a sound insurance sector, to support the development of alternative distribution channels, etc. The second question to answer is whether an active strategy is actually necessary to achieve the goals. Sometimes the market is already heading in the right direction and taking action would not be beneficial.

In Zambia, the goal set was to accelerate the demand and supply of microinsurance through pure market facilitation.

Here again, it is important to involve all key players. Leadership of the project should be in the hands of the regulators rather than the donors. A neutral catalyst might be useful to coordinate the various players, who have differing interests.

The definition of the goals and strategy should be realistic. It is no use having disproportionate goals which will never be achieved or to rush the process.

A pivotal role: Regulation, supervision and policy

A key element in developing a national microinsurance strategy is regulation, supervision and policy. To help focus on microinsurance in various markets, there is a global partnership of insurance supervisors and development agencies, called the a2ii. Its purpose is to contribute to sound, effective and proportionate policies, regulation and supervision of insurance markets that facilitate the growth of insurance for low-income clients.

Six countries now have regulation for microinsurance, at least another three are preparing a microinsurance regulatory framework, and many more are undertaking similar reviews. The a2ii can help a supervisor to assess the situation in its country and define the strategic approach that fits a particular country situation best.



52



53



54

52 — Martina Wiedmaier-Pfister, consultant to GIZ/BMZ, Germany.

53 — Left to right: Lemmy Manje, ILO/Finmark Trust, Zambia, Christine Hougaard, Cenfri, South Africa.

54 — Doubell Chamberlain, Cenfri, South Africa.

Figure 18
Key questions underlying the strategy

Do you need a formal definition?

E.g. for dialogue and alignment, delineating a space in regulation, delineating the target market, facilitating support initiatives, government coordination.

If so, how do you go about it?

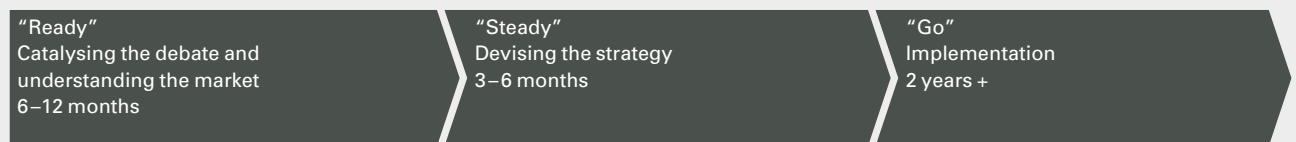
Parameters: benefit/premium limit, simplicity, risk events, etc.

Who takes the lead in implementing the process?

- Coordination
- Who can act as champions?
- Is a neutral catalyst needed?

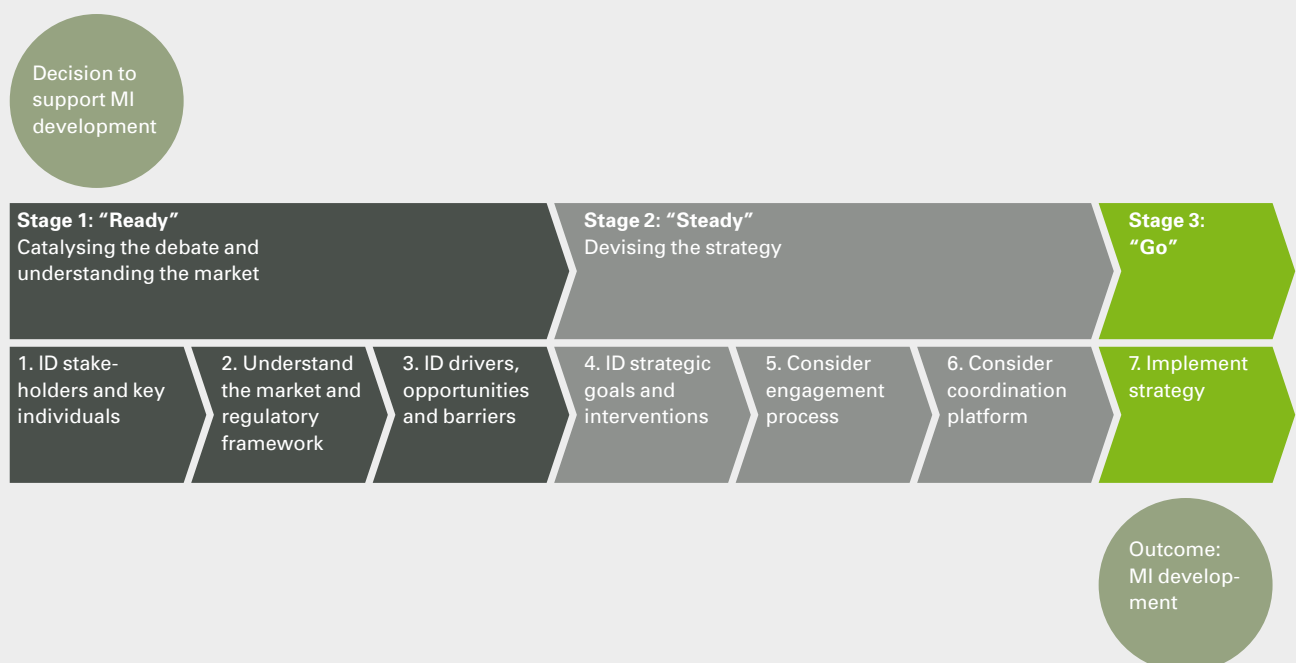
Who funds it?

How long does it take?



Source: Hougaard, Christine. Presentation “Navigating uncharted waters”. 6th International Microinsurance Conference 2010

Figure 19
Steps involved in designing a strategy



Source: Hougaard, Christine. Presentation “Navigating uncharted waters”. 6th International Microinsurance Conference 2010

Parallel session 10
Developing national
microinsurance strategies

Microinsurance development in various markets has faced three main challenges:

- Consumer protection issues
- Appropriate products, services and administration
- Delivery channels

Working with the Initiative on capacity development and reform, supervisors are able to pass experiences and lessons on to other jurisdictions to help determine appropriate intervention.

The a2ii has developed a standardised methodology for country diagnostics which provides a sound base for developing a national strategy (a toolkit will be available in 2011). Supervisors need to drive the reform and implementation process in collaboration with other stakeholders in the private and public sectors – including other levels of the financial system.

While the involvement of all stakeholders is crucial, the insurance supervisor needs to take the lead in driving the strategy process, implementing it and later assessing its impact on a continuous basis in order to adapt the strategy on the basis of real experience.

A country strategy process based on this toolkit provides learning opportunities for insurers and other insurance industry stakeholders through microinsurance pilot projects and thematic workshops – on topics such as international and local perspectives and best practices in microinsurance delivery.

Initial experiences in Zambia demonstrate the following:

- While industry-level support is critical, the individual-company level is equally important in securing a response from the private sector.
- In a very weak financial market, with very low consumption of formal financial services, financial education is critical to influence the financial behaviour and consumption patterns of low-income groups.
- Private-sector responsiveness can be very challenging where insurers are not willing to embrace innovative and non-traditional strategies to address market challenges.

Lessons learnt

- Regulation, supervision and policy are relevant for market development and hence an important element in a national strategy.
- Supervisors should drive the country's diagnostic and reform process.
- The entire sector in a country benefits from the indirect impact of a committed and knowledgeable supervisor that drives sector learning, an efficient and effective regulatory framework and a sound supervisory system.
- Lack of a conducive regulatory framework for microinsurance or rules of engagement can be a potential barrier to private-sector responsiveness.
- A roadmap for implementation of the national strategy at all levels is important.

Table 7
Activities that may be undertaken in the process from strategy to action

| | |
|---|--|
| Trigger or support an inclusive regulatory process | Support for policy statement |
| | Research to overcome identified barriers |
| | Enforcement/consumer-protection concern |
| | Facilitating industry-supervisor dialogue |
| | Taking part in the international debate and forums |
| Trigger or support a market response | Supporting further research |
| | Developing industry codes and standards |
| | Exploring business model options |
| | Capacity-building, workshops |
| | Seed funding for innovative pilots |
| Create insurance awareness | Generating quality information |
| | Design and implement education campaigns |
| | Develop common industry terminology |
| | Create a call centre |

Parallel session 11

Academic track – Impact on microinsurance

This session discussed three projects assessing the impact of microinsurance.

Can rainfall-index insurance in India be viable?

Rainfall-index insurance, introduced to India in 2003, has so far failed to gain much traction with consumers. It could be that they still do not know enough about this type of insurance, but it could also be that the insurance, as designed and priced, does not meet their needs.

A study conducted at the London School of Economics looks at consumers' purchasing decisions, specifically whether receiving an insurance payout induces a greater probability of the insured purchasing insurance again the next year. If it does and there is a positive spillover to their friends and neighbours, they see value in the insurance and the market will eventually improve.

Using three years of data from the MFI BASIX (around 20,000 customers), the study finds that receiving an insurance payout does increase by 10–20% the probability of the insured purchasing insurance the following year. However, this increase is driven by people who received large payouts.

In addition, people living in the same village who did not receive a payout are not more likely to purchase the next year, casting doubt on any spillover effects. Nor did experiencing a "rainfall shock" (term used in the insurance contract) increase take-up.

The study finds "very low" numbers of continuing customers of rainfall insurance. Even among people who received payouts in excess of twice their premium in 2006, the study says, only 18% bought again in 2007. Such a low proportion of repeat buyers indicates that they are not satisfied with their experience of insurance.

The study concludes that some evolution of the product, price or marketing strategy will be needed in order to turn rainfall-index insurance into a viable product in the long run.

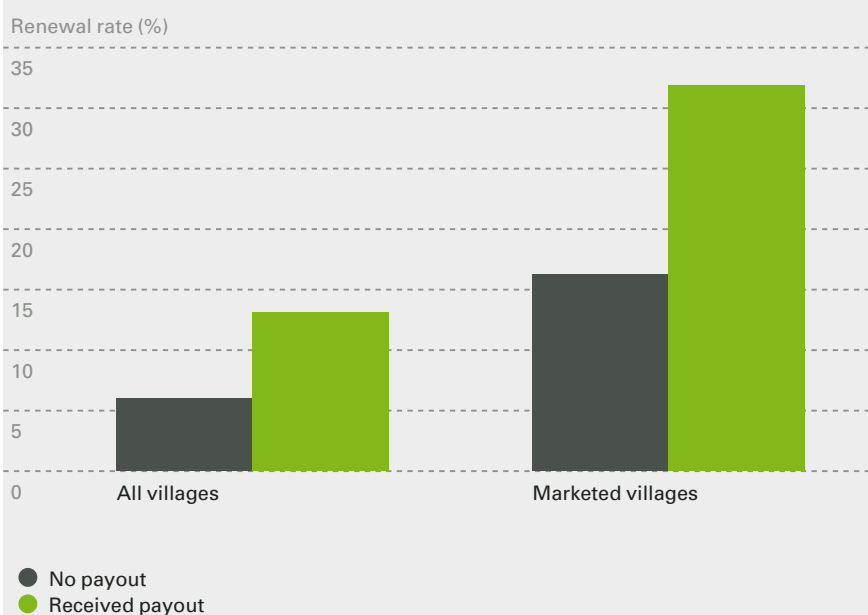
Improving health awareness and use of care, but not health

A study by the Institute of Health Economics, University of Dhaka, examines the impact of micro health insurance placement on the health awareness, healthcare use and health status of microcredit members in rural Bangladesh. It uses data from 329 households in the operating areas of the Grameen Bank and finds that the placement increased the members' health knowledge and use of formal healthcare, but not the state of their health. There may be several reasons for the last finding: the term of the study may have been too short, or there may be a shortcoming in the insurance scheme, a lack of proper referral services or adverse effects of protection against moral hazard.

Lessons learnt

- The rainfall-index insurance market in India is struggling. Repeat buying is very low, even after the insured receives a payout. Nor do adverse weather events in themselves spur insurance buying.
- Rainfall-index insurance products need to improve if they are to become widely popular.

Figure 20
After receiving an insurance payout, customers of rainfall insurance in India are only 10–20% more likely to purchase insurance again the following year.



Source: Stein, Daniel. "Paying premiums with the insurer's money: Insurance decisions in a repeated interaction". 6th International Microinsurance Conference 2010

Parallel session 11
Academic track –
Impact on microinsurance

It is not certain whether the increased awareness is also due to the existence of healthcare facilities in the communities observed, and not solely to the placement of insurance. However, the study does provide comprehensive evidence of the positive impact of micro health insurance.

Micro health insurance in Bangladesh, says the study, has mainly operated in areas where government healthcare facilities are not functioning well. A possible solution, the study adds, is for government to contract out its poorly functioning health centres to the existing microinsurers. This could save the costs of new health centres and avoid duplication in providing services.

A value-added service can increase take-up and renewals

An ongoing study by the Centre for Insurance and Risk Management/ Institute for Financial Management and Research (CIRM/IFMR) is exploring the effects of an add-on outpatient service on the take-up and renewal rates of micro health insurance schemes and on health expenditure by low-income households. Using a randomised controlled trial as an impact evaluation research strategy, the study involves two organisations providing health-care.

Calcutta Kids, an NGO whose community health workers serve urban slums, has been offering micro health insurance since 2009. It has now added an outpatient counselling scheme consisting of simple health-awareness behavioural tips. The study is expected to confirm its initial findings that the add-on service is helping increase renewal and take-up rates, and out-of-pocket expenditure on health.

CARE has a network of 11 hospitals with more than 2,000 beds across five states in India. CARE Foundation has been actively involved in research, education and technology for making healthcare affordable and accessible to low-income households. A pilot scheme has now introduced outpatient services (consulting, diagnostics and drugs) through a hub-and-spoke model, with the clinic at the back end and village health workers with hand-held devices at the front end. This technology-leveraged delivery of primary healthcare is financed through micro health insurance.

The study is evaluating the impact of add-on preventive and promotional services for the insured and the use of discount vouchers for insurance. The expected outcome is that the financing incentive and healthcare advice will boost insurance take-up and enhance health-related outcomes of rural households.

In both organisations under study – Calcutta Kids and CARE – only the baseline survey has been completed and final results will be tabulated after another year.

Lessons learnt

- Micro health insurance helps increase awareness and use of healthcare, though its impact on the insured's state of health needs studying over a long term.
- Government should contract out its poorly functioning health centres to microinsurers.
- Add-on out-patient services are an incentive for buying and renewing health insurance.
- Behavioural advice from a community health worker improves health-related outcomes of low-income households.
- Technology-leveraged quality healthcare at the doorstep in villages will bridge the infrastructure gap in rural areas.



55

55 — Seyed Hamid, University of Dhaka, Bangladesh.



57

56 — Daniel Stein, London School of Economics, UK.

57 — Akhil Behl, CIRM/IFMR, India.

58 — Dean Karlan, Yale University, USA.



56



58

Parallel session 12

Social performance indicators for microinsurance

“A holistic approach is required to make microinsurance viable and sustainable.”

Reynaldo Antonio C. Soto,
Executive Vice-President,
Grepalife Financial Inc.,
Philippines

The session introduced social performance indicators developed by the Microinsurance Network Performance Indicators Working Group, covering the principles behind them and their relevance from a practitioner’s perspective.

Using social indicators as a spring-board to financial performance

For Uplift India, an association of organisations involved in community-led health and social-protection plans, microinsurance is an initiative targeting poor people (and not just one involving small premiums). As larger insurers report client numbers in the millions, Uplift India questions whether they actually focus on the poor and whether they provide real value to low-income clients. It is especially concerned about bundled products like credit life where people might not even know about the insurance they have.

Combining and sharing technical resources for mutuals and other democratically owned groups, Uplift India uses social indicators as a constant management tool – to direct value towards the insured, who are at the same time shareholders. Combining community participation – from product design to claims management – and controlled access to a multi-layered healthcare network, Uplift has demonstrated a sustainable micro health insurance product for poor families at discounted rates. Preventive health forms part of the product, as well as processes and systems that control moral hazard and fraud.

Input from clients – for example on their claims experience – is processed, split and shared with staff in the field. The claims ratio has been between 60 and 80%, which for Uplift means performing “reasonably well” – a success it says is due in no small measure to the importance it attaches to social indicators.

Measuring social performance: Key principles

ADA, Belgian Raiffeisen Foundation (BRS) and the Microinsurance Network organised a workshop with 15 microinsurers from Asia, Africa and Latin America, who identified key principles that are prerequisites to assuring the social performance of microinsurance programmes. All come with a rationale and with key questions applicable to microinsurance organisations or, in the case of larger insurers, to microinsurance portfolios.

There are eight key principles (see Table 8) covering various aspects of operations.

Client focus requires a clear, strong and consistent focus on providing good value and efficient products and services, while **inclusion** ensures that outreach and access are maximised, in terms of pricing, infrastructure and payment options – with fewer exclusions, signalling a stronger social focus.



59



60

59 — Left to right:
Brandon Mathews, Zurich
Financial Services, Switzer-
land; Matthew Genazzini, ADA,
Luxembourg; Bert Opdebeeck,
BRS, Belgium.

60 — Shailabh Kumar,
Uplift India Association, India.

Parallel session 12
Social performance
indicators for microinsurance

Another principle requires the **assessment of client risks at the product development stage** to ensure that the insurers focus on relevant, instead of (only) the easily insurable risks.

Similarly, the **regular assessment of client satisfaction** would help identify client value created and adapt product and distribution channels to the needs of the clients.

Protection of client data would involve ensuring that staff members respect client confidentiality and that no client data are sold to or shared with any third parties.

Transparency would improve processes and increase credibility. It means that just providing data and information is not enough; what is communicated must be clear, understandable and relevant.

Making sure that **audited standards and policies are aligned with the mission and vision of the organisation** would promote ethical behaviour by staff and reward high standards of customer service.

And having an **environmental policy** in place would demonstrate the organisation's social responsibility towards the environment.

Key indicators of social performance

Eleven indicators are specified to provide the basis for a quantitative assessment of social performance.

Five of the eleven are already included in financial performance indicators promoted by the Microinsurance Network (see pages 5–7 of this report), reflecting the strong interdependence of social and financial performance. For example, the **incurred claims ratio** not only indicates the financial stability of microinsurance schemes, but also client value – in terms of benefits received by clients compared to the premium paid. On occasion, when a social indicator may potentially be at odds with a financial indicator, it would be advisable to strike a “balance” that might help achieve a financial as well as social objective.

The other six indicators are new, for example the **poverty and rural outreach ratios**. They indicate the proportion of clients living below the poverty line and in rural areas respectively and can show insurers whether they are successful in offering value to poor clients and to those living in remote areas.

Table 8
Key principles and social performance indicators developed by the Microinsurance Network Performance Indicators Working Group

| Key principles | Social performance indicators |
|---|-------------------------------------|
| 1. Client focus* | 1. Incurred claims ratio* |
| 2. Inclusion | 2. Claims rejection ratio* |
| 3. Conduct assessment of client risks at product development stage | 3. Renewal ratio* |
| 4. Conduct regular client satisfaction surveys | 4. Promptness of claims settlement* |
| 5. Protect client data | 5. Social investment ratio |
| 6. Transparency* | 6. Coverage ratio* |
| 7. Audited standards and policies are aligned with the mission and vision of the organisation | 7. Poverty outreach ratio |
| 8. Environmental policy | 8. Rural outreach ratio |
| | 9. Complaints ratio |
| | 10. Transparent sales ratio |
| | 11. Staff retention ratio |

* Also financial performance principle/indicator

Private-sector viewpoint

Commercial or private-sector insurers as “good corporate citizens” pursue objectives that may generally – though not specifically – be encompassed by social performance indicators.

A presentation in the session, devoted to the private-sector perspective, reviewed some of the specific indicators presented:

- Microinsurance in some quarters may be perceived “not as a movement, but as a business”. From that vantage point, client education expenses are re-brandable as marketing expenses. Additionally, expenses have to be covered out of premiums. High client education expenses might thus be positive from a marketing perspective, but can also reduce the amount available for paying claims or drive up premiums, counteracting any residual social gain for the client. Individual client value over a short term cannot be measured using the claims ratio, but the ratio can be a yardstick for collective societal value over the long term.
- While maximising inclusion, one needs to keep in mind that eliminating exclusions does not necessarily increase access. Certainty that an event will or will not happen within a time-frame makes the event uninsurable. Accepting a known claim is no longer a fair insurance contract between parties and exclusions help make the contract fair and more affordable. By including houses that are burning, for example, an insurer would price out all houses that are not. Nonetheless, client focus – understanding the needs of the customer – is obviously a good idea for product design.

- Another concern is about the rural and poverty outreach ratios. There are large numbers of uninsured poor people in urban areas and it is also difficult to apply a consistent definition of “poor”.
- As for an environmental policy, while there is a strong need for “green” strategies, its link to microinsurance performance appears to be weak, although it could be argued that by promoting care for the environment over a long term, microinsurers would help reduce damage causing climate change, which is increasing the frequency and severity of natural disasters.

Such concerns notwithstanding, private-sector insurers would have a strong interest in taking account of business-oriented indicators and principles such as “assessment of client risks in the product development stage” – one that would help design products that are demanded, and bought, by clients.

Questions to address

While agreeing that social performance measurement should be framed in a way that helps insurers and their channel partners design better products and processes benefiting the insurer as well as the insured, the audience posed questions reflecting general discussions in the field on social indicators:

Should a “poverty outreach indicator” really try to cover only the “very poor” – those who might have difficulty paying for food and clothing, let alone insurance? Or should it include the also often underinsured lower-middle-class households?

Should profit be measured as a goal, or as a means to a different end? Does social performance measurement face the risk of being seen as a tax on microinsurance – holding back investments in the sector, or preventing young organisations from growing sufficiently?

Lessons learnt

- Social performance measurement as applied by front-runner organisations has worked and helped them improve their overall organisational performance.
- Standards like the ones proposed could reduce costs for other insurance providers, and increase the legitimacy of introducing social performance measurement for their portfolios.
- It is difficult to define ambiguous indicators – and might be impossible in the case of conflicting perspectives on, or understandings of microinsurance. Rural and poverty outreach ratios need to be clarified.
- To be widely implemented, social performance measurement needs to add value for companies and help them to improve their microinsurance products and operations.

Plenary 3

Academic track – Do the poor benefit from insurance?

“The academic side of the economics involved with microinsurance is one area that will be applied when it comes to deploying capital to this area. While I do see there being an opportunity to invest in this industry, it is not without pitfalls and requires extreme patience. I will be quite interested to see how this industry makes its way into the capital markets as another sector of insurance.”

Corey L. Galloway, Legacy Growth Partners, LLC, USA

This plenary addressed three questions: How can the impact of microinsurance be measured? What is the research agenda to measure the impact of microinsurance? What is the role of academics?

How can the impact of microinsurance be measured?

To determine how to measure the impact of microinsurance, it is important to first clarify what one means by “impact”. Then, the main question can be addressed using two examples: Ghana rainfall insurance and capital, and the Philippines health insurance.

Impact should be understood in the context of a hypothetical comparison: how have the lives of the people changed in a programme, compared to how their lives would have changed had the programme not existed?

The evaluation of impact is essential to convince sceptics of the benefits of microinsurance, to attract resources and to provide a sufficient market test of microinsurance. The following methodological steps are crucial to measuring the impact of microinsurance: a comparison before and after and between recipients and non-recipients, a randomised evaluation

and a randomised control trial (RCT). Many situations make RCT unfeasible, but this can be offset by the selection of an appropriate sample size, sufficiently separable units, the implementation of controls over the process and planning ahead of time.

Combining capital and insurance for farmers makes a difference

The example of Ghana involved researching constraints to investment for farmers. Is it capital or risk aversion? And how do social networks help spread demand for technology or innovation?

The sample taken was 563 farmers for the 2009 growing season and 1,132 farmers for the 2010 season. To test whether they do not invest because of capital constraints, a capital grant was offered, and to check if it is because of risk aversion, an insurance product was provided to take away some of the risks associated with farming, applying individual randomisation. Four groups were formed: for the first group the insurance product was provided free during the first year and marketed at six price levels during the second year, for the second group capital was provided and for the third insurance and capital, while the fourth was the control group.



61



62



63



64

61 — Dean Karlan,
Yale University, USA.

62 — Martin Hintz,
Allianz Life, Indonesia.

63 — Glenn Harrison,
CEAR/Georgia State University,
USA.

64 — Richard Phillips,
Georgia State University,
USA.

Takayua rainfall insurance

Number of people insured

1,695

Insured risks

Rainfall index insurance for maize

Premium range

US\$ 5.75

The product, Takayua (rainfall insurance), is index insurance to protect small-scale maize farmers from severe drought or excess rain, based on 37 years of rainfall data and farmers' conception of drought and excess rain.

A combination of capital and insurance made the difference: with capital and insurance farmers spent more on fertiliser, increased the proportion of hired labour, increased revenue by 43% from bagged crops, cultivated more acres and decreased the proportion of households with members missing meals, while school attendance increased. The role of social networks was important. Those with friends who were "lucky" and had received a payout learnt about insurance and were likely to buy it. The problem arises when there is a good rainfall and hence no insurance payouts; the insured will then spread the word and friends would not be interested in buying.

How health insurance affects low-income clients

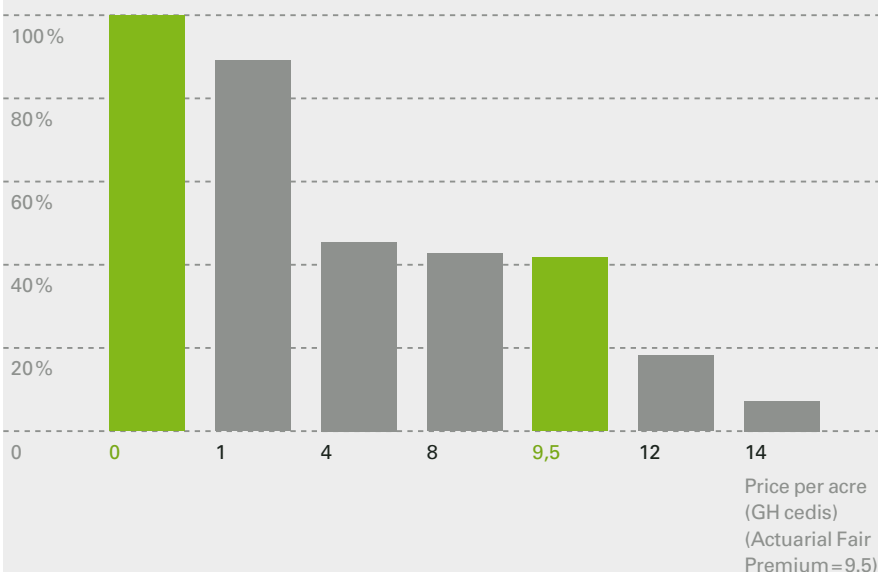
The Philippines case analysed whether the product being mandatory or voluntary could promote universal health insurance cover, examined the role of MFIs as channels of insurance distribution and aimed to provide evidence on the impact of health insurance in the developing-country context.

The method used was to provide voluntary and mandatory health insurance to borrowers of Green Bank that were not enrolled with KaSAPI, the national health insurance plan. To benefit from KaSAPI, participants were required to enrol for the entire duration of the loan term and the available premium payment options were cash, deductions from loan and savings. There was an individual randomisation in three groups: first, a group with mandatory enrolment, second, a group with individual voluntary participation, and third, the control group.

Research results showed that

- voluntary insurance programmes attract high-risk clients, with higher usage overall despite lower take-up;
- access to health insurance improved the household well-being in mental health;
- savings went down, perhaps due to a substitution effect;
- visits to healthcare facilities increased, particularly pregnancy-related for the non-poor;
- out-of-pocket expenditure increased because of incomplete coverage;
- informal safety nets were still used, even informal cash and in-kind transfer increased;
- access to health insurance did not trigger any increase in high-risk behaviour, with no evidence of moral hazard;
- the MFI's client retention increased, but client repayment worsened for compulsory insurance, perhaps because of the cash required to complete treatments.

Figure 21
The take-up of rainfall index insurance in Ghana showed that price matters: 100% for free insurance and 40% for fair value insurance.



Source: Karlan, Dan. Presentation "Impact of microinsurance". 6th International Microinsurance Conference 2010

Plenary 3

Academic track – do the poor benefit from insurance?

A conclusion to be drawn from both cases is that, in research, design and framing matter. People can be inconsistent. The way a choice is laid out determines how a choice is made. A researcher therefore needs to understand the context in which decisions are made.

Do the poor benefit from insurance? What is the research agenda?

To find out if the poor benefit from insurance, and how to systematically design better insurance products, four themes should be taken into account in the research agenda:

Risk management and insurance cannot be analysed in isolation, as the demand for insurance is a whole portfolio decision.

It is important to know how to evaluate the welfare and benefits that the poor are receiving from the products. To do so, it is important to think about the nature of the insurance product, which essentially constitutes a payment for uncertainty. An analysis of the rationality of low take-up is only possible through an in-depth analysis of consumers, their risk attitudes and expectations. It is all about the distribution, not the average. It is necessary to bring in the insurance economists for actuarial contract design, cost-effective organisational structure, public regulation and rating, and marketing.

While the industry may need research to prove that microinsurance is profitable, the main goal from the client's perspective is to bring cash flow back to the low-income household after an event. A motivating factor for an insurer, and part of its business plan, may be to bring lessons from microinsurance markets back to serve low-income sectors in mainstream markets.

From an investment point of view, social capital will be an important part of the microinsurance equation. There is a theoretical basis for a redistribution of profit to a network or community to make the risk acceptable.

Box 7**Warnings for (and about) researchers.**

Beware of surveys measuring the big, visible things

- Role for complementary data collections

Beware of surveys bearing one data point

- Role for longer-term longitudinal data collection

Beware of behaviourists bearing anomalies

- Role for basic critical reading skills of the literature
- Normative role for (artificial) field experiments

Beware of randomistas bearing average effects

- Role for complementary structural analyses

Beware of research in intellectual bunkers

Source: Harrison, Glenn. Presentation "Do the poor benefit from insurance? What is the research agenda?". 6th International Microinsurance Conference 2010

Lessons learnt

- Comparison between before and after, between recipients and non-recipients, randomised evaluation and RCT are crucial methodological steps to measure the impact of microinsurance.
- The evaluation of the project should be done in partnership between the implementer and the researcher.
- It is necessary to address longer-term questions, such as the need for social learning and longitudinal studies to measure the long-term impact on consumption smoothing, on incentives for investment and on growth rates in household income.
- As price matters, it is important to analyse how to get costs down.
- Design and framing matter. Understand the context in which choices and decisions are made.
- Encourage a sustained dialogue between researchers in several fields.
- Conduct structured research programmes into consumer behaviour.
- Carry out laboratory experiments with rich students, field experiments with the poor in rich countries and field experiments with the poor in poor countries.

“The most important lesson was the number of people committed to making microinsurance work effectively for low-income households.”

Betty Wilkinson
Senior Finance Specialist (Microfinance), East Asia Department,
Asian Development Bank, Philippines

65 — Participants in parallel session 4 discussing good practice in microinsurance.

66 — G. Prabhakara, IRDA, India (left), discusses findings from the sessions.

67 — Left to right: The conference team: Torsten Kraus, Christian Barthelt, Petra Hinteramskogler, Martina Mayerhofer and Dirk Reinhard.

68, 69 — Interactive discussions were an integral part of parallel session 7 facilitated by the Microinsurance Network Education Working Group.



65



66



67



68



69

Agenda

Day 3 afternoon sessions
11 November 2010

Parallel session 13

Case studies – Health

Shailabh Kumar
General Manager, Uplift India
Assoc., India
Why community based health
microinsurance makes better
sense – Uplift's mutual model

Jennifer Hennig
Planning Officer, GIZ, Germany
Private companies as distri-
bution channels to strengthen
micro health insurance
schemes?

Akhil Behl
Analyst, CIRM/IFMR, India
Rashtriya Swasthya Bima
Yojana: The public-private-
partnership model

Facilitator
Jeanna Holtz
Senior Grant Officer, ILO/Micro-
insurance Innovation Facility,
Switzerland

Parallel session 14

Claims handling

Tara Sinha
Coordinator for Knowledge
Management, SEWA Social
Security, India
Vimo SEWA's cashless hospitali-
sation claim settlement system

Utpal Ray
Chairman, Track 4 Infotec, India
Use of technology in claims
processing

Dubby Mahalanobis
Chief Product Officer,
MicroEnsure, Uganda
Providing service to the poor –
How to meet needs and expecta-
tions through claims servicing

Facilitator
Dirk Reinhard
Vice-Chairman, Munich Re
Foundation, Germany

Parallel session 15

**Academic track –
Contract design issues**

Ruth Hill
Research Fellow, IFPRI, USA
Flexible insurance for heteroge-
neous farmers – Results from
a small-scale pilot in Ethiopia

Ingo Outes-Leon
(Presentation held by Ruth Hill)
Oxford University, UK
Insurance training and demand
for group index-based insurance
in rural Ethiopia

Discussant
Richard Phillips
Chair of the Risk Management
and Insurance Department,
Georgia State University, USA

Facilitator
Richard Leftley
President and CEO,
MicroEnsure, UK

Parallel session 16

**Monitoring microinsurance
trends globally**

Rupalee Ruchismita
Executive Director, CIRM, India
Creating a national databank
of rural and microinsurance
products as an online map

Vijaysekar Kalavakonda
Senior Insurance Specialist,
World Bank, USA
Global microinsurance bench-
mark database

Facilitator
Véronique Faber
Secretariat Coordinator,
Microinsurance Network,
Luxembourg

Plenary 4

**Round table – Is there profit in
serving the underserved?**

Introduction
Doug Lacey
Principal Consultant, Quindiem
Consulting, South Africa
A business case for microinsu-
rance – Findings from a study on
company experience

Discussants
Brandon Mathews
Head of Microinsurance, Zurich
Financial Services, Switzerland

Rakesh Jain
CFO, ICICI Lombard General
Insurance, India

Helen Dee
Chairwoman, Malayan
Insurance, Philippines

David Ronoh
General Manager – Life, CIC,
Kenya

Sheilesh Devchand
COO Foundation Market, Old
Mutual, South Africa

Facilitator
Craig Churchill
ILO/Microinsurance Innovation
Facility, Switzerland

Closing remarks

Véronique Faber
Secretariat coordinator,
Microinsurance Network,
Luxembourg

Maria Elena Bidino
CnSeg, Brazil

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

Parallel session 13

Case studies –
Health

This session started by looking at the differences between health microinsurance and other types of microinsurance. It deserves greater focus to better understand what role it can play to support the poor in gaining access to healthcare services, financing and, ultimately, better health. While most insurance products cover catastrophic events of low frequency and high severity, healthcare cover is viewed (at least from the client's perspective) as including preventive services and routine out-patient care as well.

Another way in which health microinsurance (HMI) can be more complex than other types of insurance is that claims are made for services consumed, not to compensate for losses. Additionally, HMI is challenging because it depends on a third party, healthcare providers, whose numbers, quality and accessibility are often insufficient to meet clients' needs. Furthermore, healthcare providers may have conflicting interests (e.g. to perform revenue-generating services that may not be medically necessary) or highly variable practice patterns which directly affect the viability of health insurance schemes, and must be managed.

The session covered three health insurance models currently being implemented.

Uplift Mutuals, India**Uplift Mutuals**

Number of people insured
110,000

Insured risks
Hospitalisation, maternity,
outpatient care

Premium range
US\$ 2.20 per person per year

Uplift Mutuals is a community health insurance scheme operating primarily in Pune and Bombay. The organisation currently has 110,000 members in 21 separate risk pools.

These health mutual funds allow urban slum dwellers and the rural poor to share the risk through saving a small amount on the basis of "one for all, all for one", so in times of health crises a lump sum can be made available to meet hospitalisation costs and help absorb the financial shock. The risks are not "transferred" to an insurer, but shared under the community's responsibility.

The hospitalisation cover pays 100% of event-related expenditure in public facilities. Complex maternities are covered up to the first two live births and there is outpatient support, prevention guidance and counselling, and a 24/7 doctor helpline. Pre-existing conditions are covered after three years of membership. There are some exclusions such as suicide attempts, plastic surgery and addictions-related care.

The cost of the family-based enrolment is INR 100 (US\$ 2.20) per person per year. At Uplift the management style is one of community ownership and understanding, transparent information and decision-making, and focus on social impact instead of the insurance business. The scheme members validate the product premium, coverage and exclusions and decide on claims to be paid out.

The challenges Uplift faces include its mutuals existing in a legal vacuum with no eligibility for a state subsidy provided only to market-players and the limited capacity of members to pay for services. Meanwhile, it continues to focus on winning trust in the BOP (bottom of the pyramid) market by building relationships.



70



71



72



73

70 — Shailabh Kumar,
Uplift India Association, India.

71 — Jennifer Hennig, GIZ,
Germany.

72 — Akhil Behl, CIRM/IFMR,
India.

73 — Jeanna Holtz,
ILO/Microinsurance Innovation
Facility, Switzerland.

Parallel session 13
Case studies – Health

RSBY – National health insurance scheme, India

RSBY, India

Number of people insured

22.6 million families

Insured risks

Hospitalisation

Premium range

US\$ 0.66 registration fee (central and state governments cover premiums)

Rashtriya Swasthya Bima Yojana (RSBY), launched in April 2008, provides health insurance for households below the poverty line (BPL).

It insures a family of five for hospitalisation – up to INR 30,000 (US\$ 668) a year. It covers 727 predefined packages including maternity and newborn care and most diseases requiring hospitalisation. It also covers pre-existing conditions and has no age limit. The family is defined as the head of household, spouse and up to three dependents.

The scheme is funded by a 75% premium payment from the central government, 25% from the state government, and an annual fee of INR 30 (US\$ 0.66) from the beneficiary.

The insurer, selected by the state by tender, is paid the premium for each household insured and evidences enrolment by the issue of a smart card. The smart cards, portable and valid in all panelled hospitals anywhere in the country, permit cashless and easy-to-understand paperless transactions.

RSBY has so far enrolled 23 million families out of a total of 41 million classed as BPL families in the country. The World Bank recognises the programme as involving the largest use of smart cards to provide the poor with nationwide health insurance. RSBY is also noteworthy for having successfully rolled out such a large-scale social sector scheme through a public-private partnership.

Among the challenges RSBY faces are:

- Who receives coverage depends on the BPL database – which has been criticised as being flawed.
- Few checks and balances for quality of healthcare.
- Lack of financial literacy – resulting in low enrolment in many parts of the country.
- Insufficient information provided to consumers on their rights and entitlements.
- Abnormally high female hospitalisation rates in some areas (fraudulent hysterectomies?).

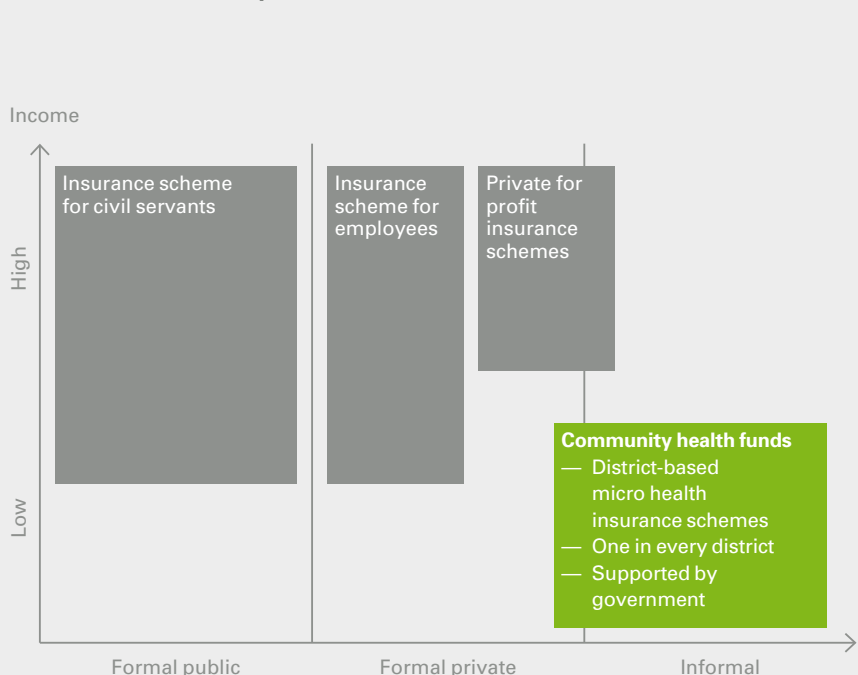
Community Health Funds, Tanzania

In Tanzania, employees in the formal sector of the economy have a part of their health insurance premium covered by their employers, but in the informal sector workers – targeted by district-based community health funds (CHF) – have to pay the whole premium themselves (see Figure 22).

The informal sector includes 20,182 cocoa producers in the Kyela district of Mbeya region, who are registered with Biolands, Africa’s largest exporter of organic cocoa working with small-holder farmers in some 130 villages.

Biolands has now decided to support the producers’ contributions to Kyela’s CHF, passing the subsidy on to retailers selling its cocoa on the European markets. Biolands will also help collect contributions and distribute insurance cards through its 131 buying posts. At the same time, the Centre of Integrated Development and Research (CIDR) and GIZ have both committed to working on the challenges currently facing Kyela’s CHF.

Figure 22
Model for social health protection of informal workers in Tanzania



Source: Hennig, Jennifer (GIZ). Presentation “How can private companies contribute to social health protection for their informal workers?”. 6th International Microinsurance Conference 2010

Drug shortage is one of the main challenges the CHF are facing. An innovative measure agreed upon with the Ministry of Health is to use some of the CHF drug funding to buy medications from retailers other than the traditional ones. Another portion of CHF funding will be used to set up a member-based association, which will act to represent the purchaser and make provision for full-time staffing. This will help deal with the challenge of the missing purchaser-provider split.

Using private companies as distribution channels for (health) insurance schemes has several advantages:

For the CHF

- Not everyone can be reached via MFIs; private companies offer the opportunity to reach a broader part of the population and engage with employers willing to contribute to the premium.
- Efficient distribution process and reduced administration costs through a private company's existing system, for example, Biolands' buying posts used to collect premiums and distribute cards.
- Lower costs of insurance education as farmers' regular meetings can be used to raise awareness about insurance products.

For companies

- A healthy and productive workforce, as less sickness means less economic loss, more efficient and economical production, and increased output.
- By offering social protection to their workforce, companies create a positive image while meeting their corporate social responsibility.

For informal sector workers

- Access to quality healthcare without worrying about the cost as treatment and drugs come free of charge, as a part of the CHF membership fee is directed to healthcare facilities.
- An overall improvement in the quality of health services, as the expansion of CHF services to other economically active groups in a district puts more collective pressure on providers.

For the government

- Private companies in the formal sector take responsibility for workers in the informal sector.
- Companies do not need to set up their own systems, adding to a more fragmented risk pool, but strengthen the country's overall healthcare system by using the existing CHF structure.
- Best practices in CHF management and drug supply can be replicated throughout the system as coverage is extended to members in the informal sector.

Lessons learnt

- Building trust and good relationships in the low-income market is important, particularly for community-based insurance schemes.
- Use of technology – such as smart cards to permit paperless cashless transactions, for example – can reduce administrative costs and improve service to clients.
- As with other types of insurance, low literacy levels in the target population must be considered to overcome a lack of understanding of what health microinsurance is, and how to use it.
- When a public-private partnership helps extend healthcare to the poor and the unorganised – through the national scheme in India or community health funds in Tanzania – not only the insured can benefit but also the government and the private sector.
- Engaging with private companies that are willing to contribute to insurance coverage beyond payroll staff to their informal worker base offers a wealth of untapped potential in ensuring broader healthcare provision.
- More collaboration among the public sector, private sector and civil society is needed to broaden the outreach of healthcare in countries that do not have a universal scheme.
- Creative solutions and partnerships including alternative supply chains can help address the consistent challenge in health microinsurance to provide lower-cost drugs.
- At least in India, there may be higher than expected use of health insurance for hysterectomies and other related treatments for women, which warrants further investigation and possible intervention.

Parallel session 14 Claims handling

How an insurer handles a claim and serves the claimant demonstrates how it lives up to the promise of insurance. Processes and procedures being used and developed are increasingly reflecting the customer's needs, expectations and capacities. This session presented four examples.

A caring worker to cut the red tape of hospitalisation

Vimo SEWA

Number of people insured
103,362

Insured risks
Life, accident, asset loss, hospitalisation

Premium range
US\$ 4 to US\$ 22 per year

The insurance programme of the Self Employed Women's Association (Vimo SEWA) began operations in 1992 and, since 2009, it has been registered as a cooperative. In September 2010, it had 103,362 members. In addition to life, accident and asset loss, it offers hospitalisation insurance that is voluntary and costs around US\$ 4 per year.

For many years, Vimo SEWA required claimants to pay out of pocket at the time of hospitalisation and receive reimbursement later. This was difficult for poorer members who lacked funds, struggled with documents required for claims approval and had to wait before being reimbursed.

In January 2006, Vimo SEWA introduced a Prospective Reimbursement or Cashless Reimbursement System in Gujarat. Under this system, the member's family has to inform Vimo SEWA as soon as she is hospitalised. An extension worker from Vimo SEWA immediately visits the hospitalised person and confirms her eligibility. She also meets the doctor and gets an estimate of the expected expenses. On completion of 24 hours in hospital, the hospitalised member is reimbursed for all the expenses incurred up to that point. The remaining expenses are paid at the time of discharge. The extension worker collects and submits the required documents.

This facility is available at panelled hospitals, chosen on the basis of members' preference and the quality and cost of care. Vimo SEWA negotiates "fair" rates with these hospitals and monitors quality of care.

Besides strong management and control, the system requires an able extension worker who can communicate with doctors and a responsive claim scrutiny process that quickly decides on admissibility. Advantages for members are reduced indebtedness and immediate reimbursement. For Vimo SEWA the advantages are greater efficiency and quality of service, which offsets the expense of the extension worker needed for the system to function.

Vimo SEWA refers to this as a "modified cashless" system. It differs from a "pure" cashless system because hospitals generally do not agree to be paid directly. In addition, members are sometimes paid in more than one instalment when they leave the hospital without informing the extension worker.

In Vimo SEWA's experience it takes members time – as long as a couple of years – to successfully move to a cashless system. In the meantime, the system itself can evolve and improve. The claim rejection rate also goes down, in part because fraud and moral hazard are reduced. The cashless system thus has a direct impact on the financial sustainability of a micro health insurance programme.



74



75



76

74 — Left to right: Dubby Mahalanobis, MicroEnsure, Uganda; Dirk Reinhard, Munich Re Foundation, Germany.

75 — Tara Sinha, SEWA Social Security, India.

76 — Utpal Ray, Track 4 Infotec, India.

Using technology to integrate the three Ps of healthcare

Micro health insurers must facilitate relationships among care-givers, benefit payers and users of schemes to deliver quality services. A claims system that starts to function only at the point of loss cannot help the insurer monitor and control the customer experience or the quality and cost of treatment.

Technology is important to integrate the three Ps of the medical system – patients, providers and payers. The system’s efficiency is governed by the thoroughness exercised at the insurance scheme’s inception. The care taken can drive information-gathering for activation and enrolment, card issuance, appointment of providers and member education on how and where to access care.

Providers are a key link in the delivery chain. They interact with members regularly and can give feedback of value to both the insurer and payer. It is critical to expand the provider connectivity for improved results and integrate all players of the health-care ecosystem online in real time. All providers must have pre-agreed terms on conditions to be treated under the cover and the cost of each service rendered. This will reduce disagreements on what should have been treated and what should be charged. Capitation models should be pursued to manage the more common ailments and allow providers flexibility of treatment.

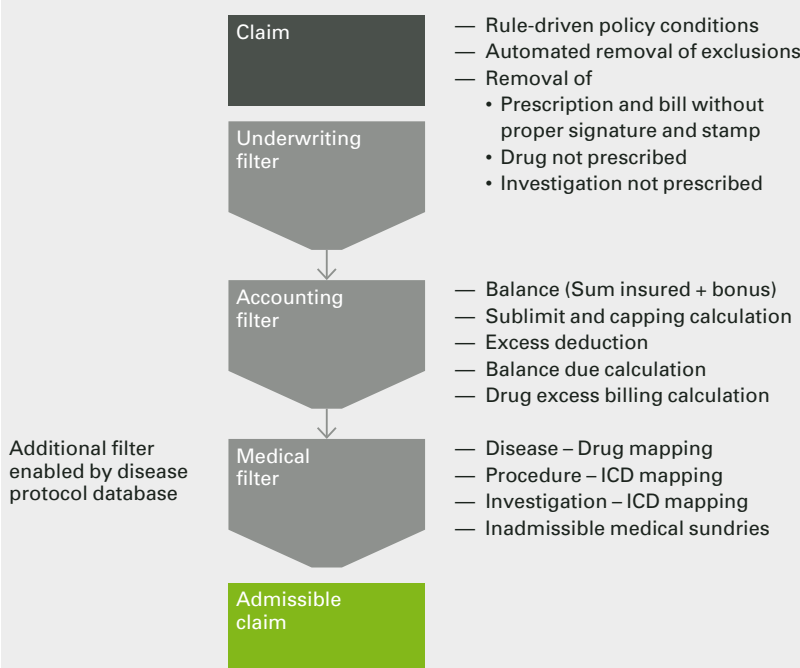
The coding of diseases is vital to an efficient claims process. Each region in the network must standardise coding and make it simple and quick. Technology can then assist in aggregating data, analysing costs and recommending best practices.

Use of smart cards and a biometric system of managing data are critical in ensuring that fraud is reduced to a negligible level and that insurers of liabilities are notified promptly as they arise.

India’s national health insurance scheme RSBY uses a smart card with direct connectivity. It guarantees reliable identity management, a secure visual and electronic policy record, biometric features with embedded photo and image of the policyholder’s left thumb, and a health card registering encounters and transactions as well as medical expenses and limits – all elements critical for the claims settlement process. More than 22 million cards have been issued and over 7,600 hospitals are online across India.

The RSBY system also uses technology for prevention purposes – for example storing information in different languages on immunisation schedules and antenatal reminders for the prevention of maternal and foetal mortality and morbidity. This system costs less than US\$ 5m and is cost-effective because of the number of policyholders.

Figure 23
Automated, protocol-driven and standardised processing of claims



Source: Ray, Utpal. Presentation “The microinsurance health sector. Use of technology”. 6th International Microinsurance Conference 2010

Parallel session 14
Claims handling

The automated, protocol-driven and standardised processing of claims is composed of three filters: underwriting, where the claims are adjudicated according to policy conditions; accounts, where the balance is calculated; and medical, where diseases, procedures or medical interventions are checked according to specific disease codes.

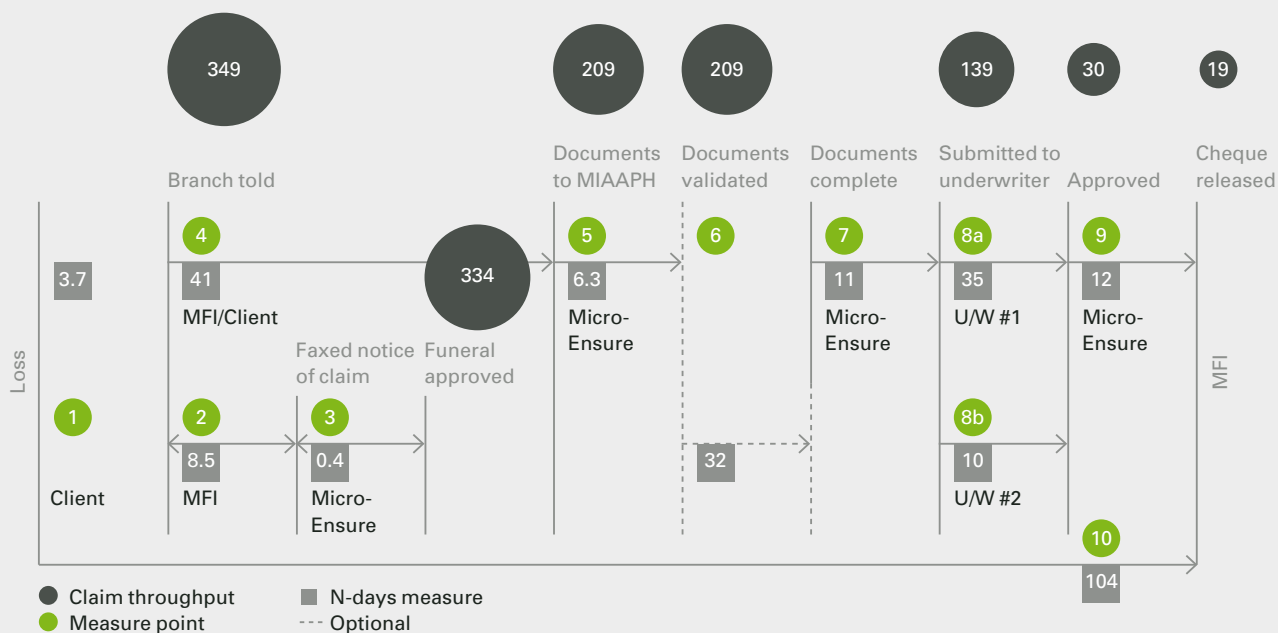
Designing products to permit prompt claims payment

MicroEnsure, an intermediary now serving the poor in nine countries, has managed to increase the speed of claims payment to within 14 days in Africa and Asia since 2001. Having not only worked on best practices in claims handling on the part of insurers but also on what may well be its worst case, MicroEnsure draws a key conclusion from its experience: the way products are structured in terms of their wordings can ensure that the cover itself enables claims to be paid quickly. Claims workflow processes can then be built to minimise time taken and reduce claims rejection rates.

A claim paid within a reasonable time with minimal fuss is what makes the promise of insurance real for the customer. Underwriting has to be at source and not at the point of a loss, and an insurer must not hide behind exclusions.

A case in point involved an insurance company in Uganda, which had concluded an agency agreement with MicroEnsure in 2007, and the way it dealt with claims arising out of the devastating Owino market fire in February 2009. MicroEnsure reported 243 claims to the insurance company. Suddenly the company switched to the investigation mode, taking one whole year to complete the process. During that period the consequences were devastating for policyholders' assets and business. In addition, often they could not qualify for other loans. This also tarnished the image of microinsurance. The insurance company lost a lot of renewal business and MicroEnsure lost the account and its credibility, to the point that it ceased operating in Uganda in July 2010.

Figure 24
Cebu – Life and funeral claims
Measures introduced by MicroEnsure in the Philippines to track claims workflow and speed up settlement showed results in four months.



Source: Mahalanobis, Dipankar, Pettifor, Mark. Presentation "Proactive claims servicing. Claims payment – The litmus test for microinsurance!". 6th International Microinsurance Conference 2010

Another case involving MicroEnsure illustrates that continuous claim service monitoring is a key preventative and curative method in improving the image of insurance. MicroEnsure began operations in the Philippines in 2007. As at June 2010, it had received 4,653 claims, for a total of US\$ 6.6m. Of these, 90% had reached various insurers and 55% had been fully settled. Claims servicing was assessed as slow but was difficult to measure using the existing system, so new TAT (turn-around time) measures were introduced. Underwriting considerations were simplified to remove the complexity of adjudication. MicroEnsure as intermediary took responsibility for the end-to-end tracking of claims. Figure 24 shows the sample of throughput after four months.

Lessons learnt

- Claims payment, demonstrating how the lives of poor people are affected, is the litmus test of microinsurance.
- Underwriting-related investigation should be done when insurance is applied for, not when a loss occurs.
- Cashless hospitalisation in micro health insurance can work if it has strong controls and competent field staff.
- Technology can integrate the three Ps of the medical system – patients, providers and payers – and facilitate relationships among them.
- By aggregating data and coding diseases, IT systems can help deliver efficient claims service – but they may be too costly for microinsurance if the programme lacks scale.
- A smart card with direct connectivity can gain acceptance in a broadly based healthcare programme where members lack financial literacy.
- Microinsurance clients do not understand legalese and exclusions; products should be structured in such a way that the cover itself permits early claim payment and minimises rejections.

Parallel session 15

Academic track –
Contract design issues

Weather is a substantial source of uninsured risk for rural households. The covariate nature of shocks makes it difficult to manage this risk entirely through sharing networks or the use of assets. Weather-index-based products may be a solution: they are cheaper, they substantially reduce moral hazard and adverse selection, and they are more transparent. However, the take-up of index-based products is generally very poor. This session considered how the take-up of index-based insurance might be increased if products were better designed.

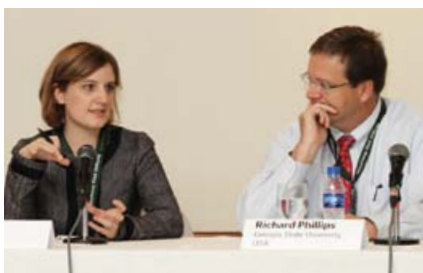
Use of securities to address the heterogeneity of farmers

While a standard index might be able to fit homogeneous farmers' needs, the use of one single product is not beneficial for heterogeneous farmers. The International Food Policy Research Institute (IFPRI) conducted a study in Ethiopia on the impact of heterogeneity of farmers on take-up of index-based securities. It concludes that multiple weather securities are more effective in meeting demand than a single index insurance policy scheme. They accommodate different pay-offs if characteristics and profiles of farmers are heterogeneous – including crop type, soil characteristics and production practices.

The study defines different weather events and for each one it creates a weather security that pays a fixed payout only if the corresponding event happens, otherwise there is zero payout. Weather events are defined as different monthly rainfall intervals at a nearby weather station. Customers are free to buy different combinations of securities in order to insure themselves against weather events. The proposed weather securities have three characteristics – simplicity, flexibility and inclusivity – that can encourage stronger take-up rates than the ones observed for current weather-index-based insurance policies.

The theoretical model used in the study is a modified version of a standard neo-classical partial equilibrium model. It was developed to identify conditions in which weather securities could outperform crop-specific weather-index-based insurance policies and to provide predictions on determinants of demand.

The main challenge of index-based insurance is that the payout is not related to the loss. The insured still bears a basis risk, which makes the products less attractive. The take-up could be improved by differentiating the triggers by geographical areas, which can be made as small as possible (for example, in Florida weather insurance can be traded at zip-code level). Each trigger can then be exactly tailor-made to the area and best fit the local farmers' needs.



77



78

77 — Left to right:
Ruth Hill, IFPRI, USA;
Richard Phillips, Georgia
State University, USA.

78 — Richard Leftley,
MicroEnsure, UK.

Better take-up within groups?

Another study, by a research team representing Oxford University, the Ethiopian Development Research Institute (EDRI) and IFPRI, tests the assumption that groups can help increase take-up, since they pool the basis risk, have a certain level of financial education and increase the level of trust in insurance.

As part of a small pilot scheme in rural Ethiopia, the study introduced index-based rainfall insurance products marketed to Iddir groups – pre-existing local informal funeral insurance societies – while at the same time carrying out insurance training exercises for farmers. One finding is that training farmers in the benefits of sharing policies in groups generates additional demand for insurance. Of a total of 1,000 trained individuals from 100 Iddirs, about 500 farmers belonging to 25 Iddirs expressed an interest in signing up for the policies.

Still in progress, the study is exploring group insurance as a promising product-design solution to low take-up rates of index-based products. Group insurance can reduce the underlying basis risk as aggregate group losses are likely to more closely follow the index than losses experienced by any single member of the group. Another important aspect of group insurance contracts is that the responsibility for disbursement to individual claimants is transferred to the group.

Box 8

Product design for a pilot study in Ethiopia which concludes that sharing policies can solve some of the problems of index-based insurance products and generate higher take-up:

In collaboration with Nyala Insurance, index-based rainfall insurance products were introduced in 17 kebeles (smallest administrative unit in Ethiopia).

The policies took the form of monthly coupons whereby a fixed payout would be due if the monthly rainfall fell short of a particular precipitation target.

Policies were calibrated using the historic data from the local rainfall station.

Eight policies were introduced:

- Two policies for each of the rainy season months: June, July, August and September.
- Severe shortfall: for a premium of ETB 100 (US\$ 6), the farmer could receive a payment of ETB 500 (US\$ 30) with a chance of 1/5.
- Very severe shortfall: for a premium of ETB 50 (US\$ 3), the farmer could receive a payment of ETB 500 with a chance of 1/10.

Policies could only be purchased by members of pre-existing Iddirs.

Source: Outes-Leon, Ingo. Presentation “Rainfall insurance and informal groups – Evidence from a field experiment with funeral societies in Ethiopia”. The presentation was held by Ruth Hill. 6th International Microinsurance Conference 2010

Lessons learnt

- Product design plays an important part in increasing demand.
- When farmers’ characteristics determine how weather outcomes affect production, a multiple weather securities approach is likely to be preferred to a single insurance policy scheme. Susceptibility to rainfall risk varies among farmers and purchases of securities are heterogeneous as a result.
- The downside of a basic risk in index insurance could be dealt with by varying triggers geographically to fit the local farmers’ profiles, but it may involve trade-offs with other problems such as availability of required data.
- Insurance training exercises increase the demand for insurance.
- Index-based insurance products could be improved by linking them to pre-existing groups.
- Group insurance may be a promising product-design solution to low take-up rates of index-based products.

Parallel session 16

Monitoring microinsurance trends globally

The session showcased two online database projects to monitor microinsurance trends with easily navigable and updatable information. They build on previous efforts, like the microinsurance landscape study of the 100 poorest countries and the landscape study of Africa presented at the 2009 International Microinsurance Conference in Senegal. However, these new database projects want to go beyond “snapshot” pictures to monitor trends over time, increase transparency and foster professionalism in the sector.

One is India’s Microinsurance Map (MiM), created by the Centre for Insurance and Risk Management (CIRM) to serve as a publicly available sectoral data warehouse, and the other the World Bank’s Global Microinsurance Benchmark Database covering 161 providers in six countries in its first phase.

Mapping microinsurance in India

The MiM provides both market and risk data. CIRM developed it with the assistance of the ILO’s Microinsurance Innovation Facility.

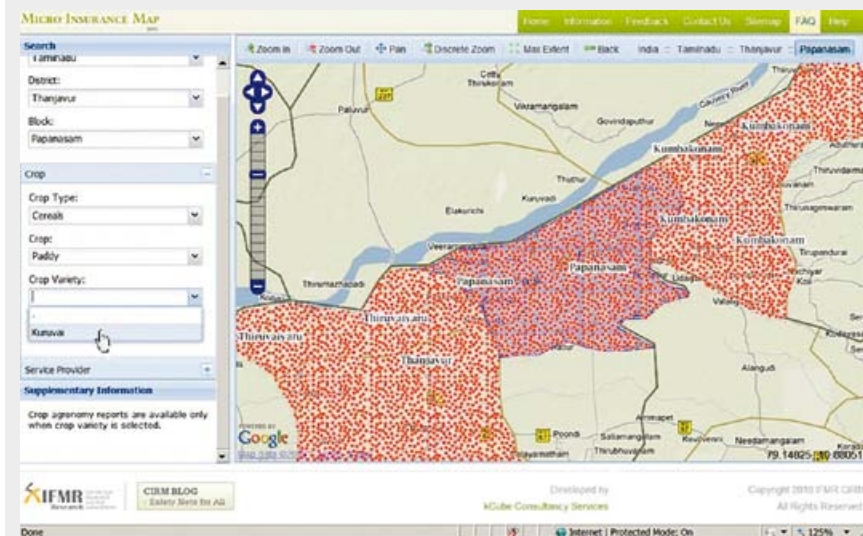
On the market side, the databank contains information on current product offerings in microinsurance – including premiums collected, claims experience, gender ratio and detailed product data. While one goal is to reduce search costs for households or organisations seeking to link up with an insurer, the databank will also help insurers themselves in benchmarking products and identifying “best practices” that have actually found market acceptance.

CIRM has gathered data from a range of insurers in India, combining inputs from insurers with that of the industry associations, the regulator, MFIs, NGOs and other channel partners. The overview covers both public and private schemes and will be regionally de-aggregated and maintained over time to allow detailed analyses.

The risk side deals mainly with agriculture and health, supplying information such as agricultural productivity, cattle valuations and hospitalisation rates. On a map-based solution, insurers can get regional information on crop varieties, growing seasons and meteorological, pest and practice-related risks, livestock breeds and mortality rates and, in March 2011, key health morbidity. Plans also include a premium calculator for risks displayed.

The databank is already online, and first results are available. These can be used to track product launches over time (with 2007 as the starting year), premiums collected or the performance of insurance programmes like the national health insurance scheme RSBY in different regions.

Figure 25
Screenshot of India’s Microinsurance Map (MiM) showing market and risk data, including specific crops in different regions.



Taking a global reading

The Global Microinsurance Benchmark Database being developed by the World Bank covers 161 schemes, formal and informal, in six countries – with data collected from aggregators like industry associations (in Colombia and Bangladesh), directly from insurance companies and delivery channels (Peru and Mexico) or through mixed channels (India and the Philippines).

Two criteria are used to define micro-insurance: **products** specifically designed for low-income clients and annual **premiums** as a portion of the GNI PPP (gross national income, purchasing power parity) of less than 4% for health, 2% for life, and 1% for property insurance. The objective of the database is to collect, analyse and report data with no bias towards any model, methodology, risk carrier, delivery channel, or product.

The current datasets contain key measures like premiums written and claims, and allow comparisons by product type, risk carrier, distribution channel and type of sales transaction (mandatory/voluntary). For example, insurance companies tend to have a significantly lower share of rural business than other insurance carriers like MFIs or NGOs in Bangladesh. In addition, they sell higher-value products compared to their counterparts.

For benchmarking purposes, three steps are followed:

- Identify peer groups such as age, delivery channel, institutional type, premium volume, product diversity and outreach.
- List the categories and define criteria under peer groups (e.g. for age: market entrant, young, experienced).
- List financial and outreach indicators for comparison across peer groups.

For analysis, some of the hypothesis questions are:

- If providers offer products at a lower price than average, is the take-up better?
- Do providers have higher growth in outreach if the gross claims paid to gross premiums ratio is higher?
- Are products delivered by MFIs priced lower than the average premium and do they have a higher claims ratio?
- Is the value or volume of business higher if the product is sold by many channels rather than only one?

Figure 26

Screenshot of the World Bank's Global Microinsurance Benchmark Database



Source: Kalavakonda, Vijaysekar. Presentation "Monitoring microinsurance trends globally. Global microinsurance database". 6th International Microinsurance Conference 2010

Parallel session 16
Monitoring microinsurance
trends globally

The microfinance sector has benefited greatly from its global web-based information platform, the Micro-finance Information Exchange (MiX) Market, which has standardised data on the basis of international accounting principles. Microinsurance databanks being developed now can also demonstrate the value of data sharing and its catalytic impact on transparency in the market, enabling it to grow.

Lessons learnt

- An online databank can serve as a one-stop shop allowing spatial representation of microinsurance penetration data to track and identify “white spaces” for focused interventions. It provides panel data and more than a one-off snapshot of the market.
- A global database benefits all actors in microinsurance, as it improves the understanding of quality and value of outreach, gaps and challenges. It has a low maintenance cost and high usability for many stakeholders.
- The microinsurance industry is in a phase of rapid innovation and expansion – making data collection a difficult exercise, but even more meaningful and necessary.



79



80



79 — Rupalee Ruchismita,
CIRM, India.

80 — Vijaysekar Kalavakonda,
World Bank, USA.

81 — Véronique Faber, Micro-
insurance Network, Luxembourg.

Plenary 4

Round table – Is there profit in serving the underserved?

This plenary session dealt with the financial viability of microinsurance for insurers: is there a profit to be made in serving the underserved and, if yes, how can insurers realise this profit by overcoming internal barriers that might have held them back so far?

A macro involvement in microinsurance

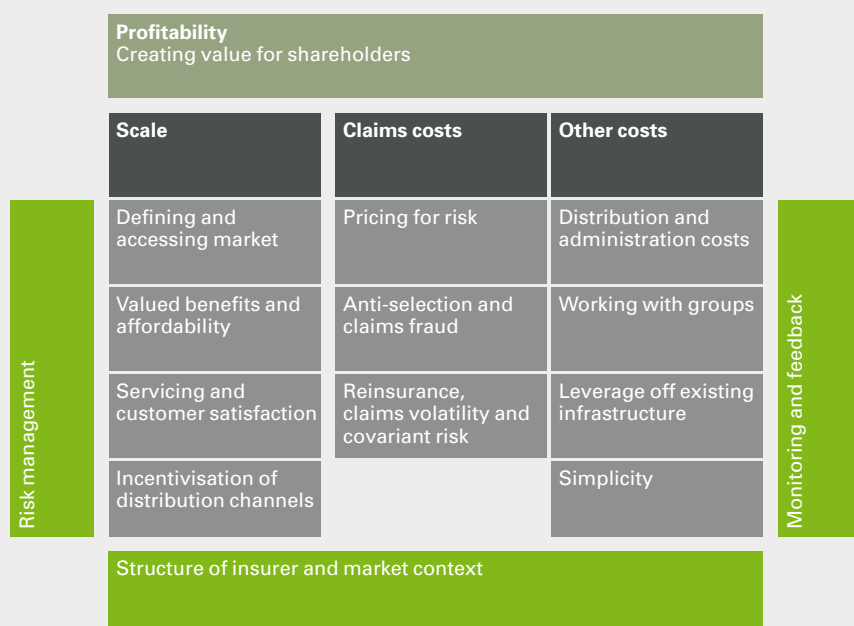
Research by the Microinsurance Network shows that of the world's 50 largest insurance companies 30 are involved in microinsurance. While the most important reason named was "to expand in new markets", the second most mentioned was corporate social responsibility (CSR). This points to a potential underlying tension in motivations – are companies using CSR money to experiment, before investing for financial reasons? A global ranking of insurance companies yielded first insights into the volumes currently generated by the sector and the companies currently leading, even though lack of data could make comparisons difficult. Several companies have achieved seven-digit client numbers, with the six million microinsured reported by Allianz being one of the highest counts so far. The full report was due to be published in early 2011.

A business case for microinsurance

Under what circumstances microinsurance can be profitable for traditional insurers was the key question for another study conducted by the ILO's Microinsurance Innovation Facility. It covered schemes in South Africa, Kenya, India and the Philippines – in different product categories like funeral, health and crop. While a quantitative analysis is difficult – insurers are at very different stages of their development – first insights from interviews with the organisations are notable.

Old Mutual South Africa sells funeral insurance called "Burial Society Support Cover" through salaried agents to members of burial societies and funeral parlour schemes. It formalises the insurance mechanisms already developed by low-income people themselves that seek social cohesion and support in times of trouble – based on the cultural underpinning "you are, therefore I am". The scheme made significant losses in 2006 and 2007 because of high claims costs and the failure to achieve sufficient scale – the groups targeted as distribution channels were smaller than estimated. Old Mutual therefore decided to improve the quality of the book, which resulted in lower growth and a decline in the number of policyholders, but enabled Old Mutual to realise a profit for the first time in 2009.

Figure 27
Framework for assessing the profitability of microinsurance initiatives



Source: Lacey, Doug. Presentation "A Business case for microinsurance". 6th International Microinsurance Conference 2010

Plenary 4

Round table – Is there profit in serving the underserved?

Co-operative Insurance Company (CIC) Kenya sells both a credit-life and a voluntary cover called Bima ya Jamii bundling accidental death and disability, funeral expenses and health. CIC Kenya's target market for these includes members of saving and credit cooperatives (SACCOs) and MFIs – though, with 40% of Kenya's wealth in the hands of the top 10% of its population, the broader market holds a huge potential. While credit life has been considerably profitable, covering 260,000 lives, the bundled policy has required cross-subsidisation from the credit-life profits as well as donor funding for the start-up phase. The initiative, structured within the insurer at the outset, was later moved into a separate business unit – which improved results. It now covers some 19,000 clients.

In India, Industrial Credit and Investment Corporation of India (ICICI) Lombard's microinsurance offers to include an index-based weather cover and a group health plan called Manipal Arogya Suraksha, providing a cashless benefit through partner providers. While weather insurance is expectedly volatile in its profitability and relies on reinsurance, the health insurance scheme has suffered considerable losses with a combined ratio of 130%. The two schemes have 260,000 and 275,000 policyholders respectively, but both need to reach scale to be commercially viable. The weather product lacks geographical spread and the health product, with a targeted region, needs to increase enrolment.

In the Philippines, Malayan Insurance distributes microinsurance products ranging from personal accident and fire to weather-index crop insurance. Its personal-accident scheme has three main channels with widely differing outreach: five million through pawnshops, 390,000 through rural banks, and 17,000 through NGOs and cooperatives (starting in 2009 only). The product is hugely profitable – with a stable combined ratio slightly above 50% for the past two years.

In most of these cases though, indications of early promise were not fully realised. A stronger evolution was needed from the initial set-up – often based on imperfect existing knowledge – into working models that achieve sufficient scale to cover costs and make schemes financially viable. Often such an evolution involves lengthy and iterative fine-tuning, and repeated revisions. In several cases, partners play a key role in making models work – also through providing feedback during the search-and-adaptation process.

82 — Left to right:

Doug Lacey, Quindiem Consulting, South Africa; Brandon Mathews, Zurich Financial Services, Switzerland; Rakesh Jain, ICICI Lombard General Insurance, India; Craig Churchill, ILO/Microinsurance Innovation Facility, Switzerland.



82

83 — Helen Dee, Malayan Insurance, Philippines.



83

84 — Left to right:

David Ronoh, CIC, Kenya; Shailesh Devchand, Old Mutual, South Africa.



84

The importance of having a dedicated microinsurance unit

One key issue addressed was how to organise microinsurance activities. In a number of cases, moving the microinsurance operations into separate business units has helped “fix” the business and create a conscious focus on the targeted low-income market. Having dedicated underwriters and marketing staff in a distinct unit has facilitated the development and growth of the microinsurance business without distracting from the core business units. Still, most of these units must rely on some support from the parent company – be it cross-subsidies for product starts, strategic supervision with an interest in managing the “social value” created in the sector, or specific support from other business functions.

Another conclusion based on experience is that time is required to make microinsurance profitable. A few lines may be profitable from the start, and one of these is credit life. In others, significant expenditure needs to be incurred to establish the business and increase customer numbers. As most insurers are initially unfamiliar with the sector, microinsurance required a certain amount of “learning on the job” – about the clients, the channels required to reach them and the right approach to managing them, and the profits that can reasonably be expected. Many businesses exclude their microinsurance business from the profit expectations of the mainstream businesses or subsidise start-up phases and experiments – but normally only for a limited amount of time. In the longer term, profit expectations are similar to those in normal business lines – and meeting them a precondition for significantly expanding coverage of poor people.

Lessons learnt

- Profitability of insurance – and thus microinsurance – varies across schemes.
- Insurance has high capital requirements and start-up costs and the return on investment is not immediate. Insurers face the task of increasing client numbers and premiums to achieve economies of scale, and learning how to reduce claims and administrative costs.
- Establishing dedicated departments, business units or even companies for microinsurance can help insurers to focus on the special requirements of the business, and better meet profitability requirements over the long term.
- Support from central businesses or group holding companies is important to allow for starting new schemes, or testing innovative distribution mechanisms.

Field trips

While the conference aimed to go over the microinsurance experiences of various organisations from around the world, a field study the day before gave a number of participants a first-hand look at the practice of providing safe and affordable products and services by microinsurance MBAs. This preview of microinsurance at work was provided by two field trips co-organised by RIMANSI Organization for Asia and the Pacific.

Field trip to CARD MBA Laguna, 8 November 2010

CARD MBA

Number of members

1.17 million

Assets

PHP 2.4bn (US\$ 54.3m)

Features

- Savings component
- Parallel offer of national health insurance cover

Insured risks

Death, disability, and a motor vehicle accident hospitalisation benefit

Premium

PHP 20 (US\$ 0.45)/week

CARD MBA, based in Laguna, south of Makati City, is a part of CARD MRI (Mutually Reinforcing Institutions) providing financial and non-financial services related to microfinance and microenterprise development.

In 1999, CARD MBA pioneered the mutual approach to microinsurance in the Philippines by providing life insurance through self-help groups. It is organised and managed by women from low-income groups, and builds on CARD activities in microfinance. In September 2010, CARD MBA had a total of 102 staff members in its main and provincial offices, and 643 MBA coordinators visiting microfinance meetings on behalf of CARD MBA. Membership reached 1.17 million in 2010, up from 970,000 the year before.

CARD MBA offers life insurance and integrated credit life and disability insurance, including an accidental death cover and a motor vehicle accident hospitalisation benefit. It has a provident fund for members to build up long-term savings that are paid out on retirement. As CARD MBA is a member-based organisation, any surplus from the programme is re-distributed to members.

CARD MRI is the largest group in the partnership programme of Philippine Health Insurance Corporation (PhilHealth) to increase membership in the informal sector. Called Kalusugan ay Sigurado at Abot Kaya sa PhilHealth Insurance (KaSAPI), the programme is also designed to help limit adverse selection through organised groups. CARD MRI's link with the national healthcare scheme is a mutually beneficial way to provide affordable micro health insurance. Members that take up the offer receive the so-called Ang Inyong Kalusugan Ay Pangangalagaan ng Card (AKAP Card) with which they can access both in-patient and outpatient services.

Another product that has gained acceptance among CARD MBA members is its Package Assistance In case of Disaster (PAID) plan. As a 3-in-1 package, it combines personal accident cover up to PHP 100,000 (US\$ 2,262), funeral benefits of PHP 20,000 (US\$ 452) and a residential house reconstruction capital of PHP 10,000 (US\$ 226) maximum in the event of fire and natural catastrophes such as floods, earthquakes and typhoons.

To complement the offer by CARD MBA, CARD founded the CARD MRI Insurance Agency (CaMIA) in 2007. CaMIA distributes non-life products of private insurance companies through the network of CARD MRI.

The success of CARD MBA has been received well internationally, and inspired the formation of RIMANSI. It serves as a regional resource to promote the concept of mutual benefit associations.

Lessons learnt from the field trip to CARD MBA

- CARD MBA not only pioneered the mutual approach to microinsurance in the Philippines, but was also the country's first microfinance-affiliated MBA organised and managed by women from low-income groups.
- The CARD MRI family of companies – principally CARD Bank, CARD Inc. and CARD MBA – are linked through products and services; their coordination improves efficiency and integrates delivery of financial services.
- The MBA's link to sister companies helps ensure portfolio stability, control moral hazard and adverse selection, and reduce marketing costs through existing delivery networks.
- CARD MBA's experience in successfully insuring the poor has served as a challenge to social development organisations and even commercial insurance companies.

85 — A young woman proudly presents her health insurance card. She is well covered for less than one US dollar a week.



Field trip to Kasagana-Ka MBA Quezon City, 8 November 2010

Kasagana-Ka MBA

Number of members

19,305

Insured individuals

96,525

Assets

PHP 35m (US\$ 790,425)

Net income

PHP 6m (US\$ 135,500)

Features

- Community-based
- Weekly payments
- Co-signatory guarantor
- Maximum amount of credit is PHP 5,000 (US\$ 113)
- Savings component

Insured risks

Credit life

Premium

PHP 20 (US\$ 0.45)/week

Kasagana-Ka is a medium-sized microinsurance MBA for the urban poor, based in Quezon City with members also in Caloocan City and the Bulacan and Rizal provinces.

Kasagana-Ka MBA was founded in 2002 by the NGO Foundation for Development Alternatives. It has 140 employees and 17 branches in Manila and in other provinces of the Philippines.

The microinsurance product offered by Kasagana-Ka MBA is a compulsory life insurance scheme covering credits. It is a community-based scheme. To become a member, the applicant has to appoint a co-signatory to serve as a guarantor for payments. All members of the community are required to make weekly payments equating to the repayment instalments for the loan, the weekly premium and the funding of savings. All members are women.

The microcredits covered are for 15, 25 or 35 weeks. The interest rate is 9% for 15-week credits, 16% for 25-week credits and 21% for 35-week credits. On expiry of the loan term, an evaluation of the member is performed by the MBA's loan officer on attendance, regular payments, growing business, attitude and co-signatory payments. The evaluation serves as the basis for setting the amount and duration of the next loan for the member. Loans are granted for up to PHP 5,000 (US\$ 113). Above this amount, the member must provide security.

The scheme has a savings component, which can be withdrawn in part after six months. The interest rate paid on these savings is 5%.

Kasagana-Ka has now launched a new health initiative: an offer to its members and their families of a complete health check-up for PHP 980 (US\$ 22). This amount can be paid out of the savings of the member or in other ways. The benefit enables members to find out about their health and take preventive measures. Indeed, if a member became ill and could no longer work she would not be able to continue with repayment of the loan and premium payments, affecting Kasagana-Ka MBA's sustainability.

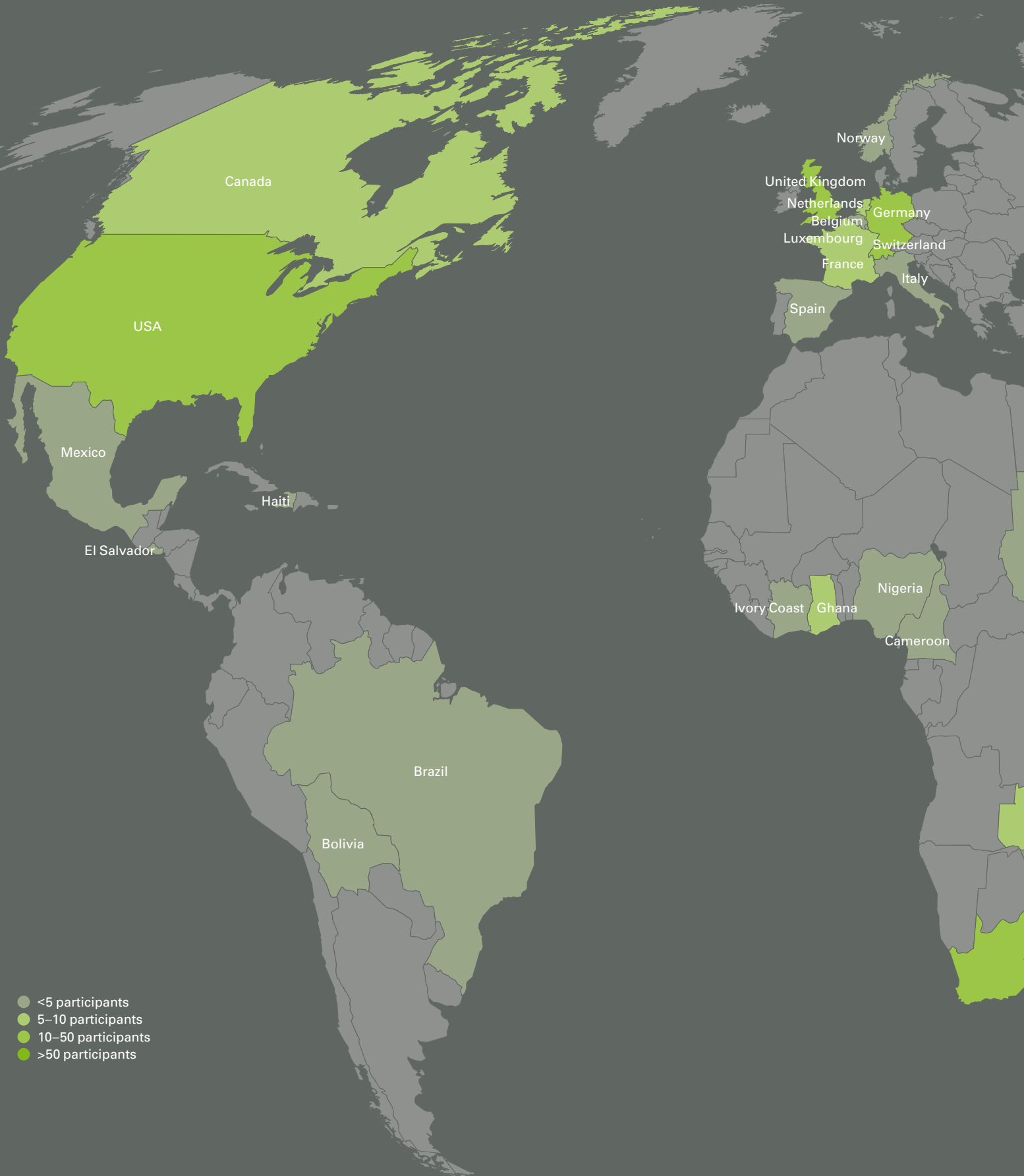
As a community-based organisation, Kasagana-Ka MBA is owned and managed by members. Two member representatives are on the executive board. Kasagana-Ka MBA plans to open five new branches in 2011 and extend its current schemes to non-credit holders. The intention is to offer life insurance to other communities such as factory workers and NGOs.

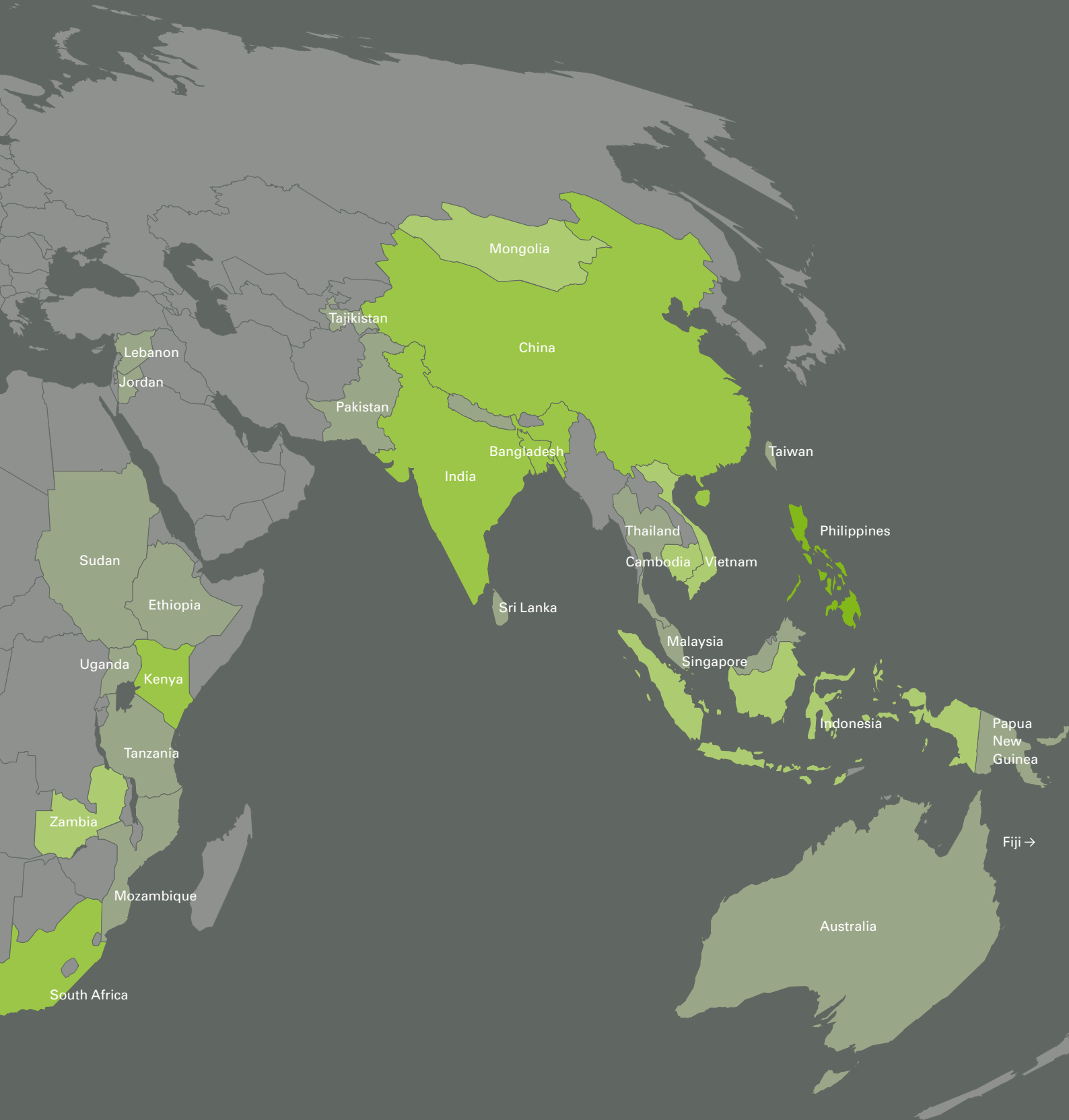
The participants in the field trip were introduced to Kasagana-Ka MBA's claims payment process. The loan officer responsible for the community comes to the member's house to check the claim. Documents needed to process the claim are a police report (in the event of an accident) and a death certificate. Payments are made within a maximum of five days of submission of the claim report.

Lessons learnt from the field trip to Kasagana-KA MBA

- Kasagana-KA MBA, registered with the Securities and Exchange Commission in 2006 and licensed by the Insurance Commission in 2007, targets the urban poor and is the only RIMANSI partner to have started as an MBA without going through an in-house scheme or the partner-agent model.
- It insures both members and their dependents, who may be spouses and biological or adopted children not more than 21 years old.
- Each member contributes PHP 20 (US\$ 0.45) a week: PHP 15 pays for life insurance premiums while PHP 5 goes to the member's retirement savings.
- Life insurance benefits increase the longer a member keeps paying the premium.
- Members' retirement savings are returned when they reach age 65.

Countries represented





Participating organisations

| | | | | | |
|---|--|--|--|--|---|
| Australia Leapfrog Investments Macquarie University | El Salvador Seguros Futuro | India Birla Institute of Management Technology C2L BIZ Solutions Private Ltd Calcutta Kids CARE CIRM/IFMR DHAN Foundation GIZ HDFC ERGO General Insurance ICICI Lombard General Insurance Company Limited Iffco Tokio General Insurance ILO IRDA Micro Insurance Academy SEWA Swasth India Services Pvt Ltd Swayam Shikshan Prayog Track 4 Infotec Uplift India Association | Lebanon Commercial Insurance | Philippines ABS-CBN Broadcasting Corp. ABS-CNN Actuarial Society of the Philippines Ad Jesum MBA Ahon SA Hirap Inc. Asian Development Bank (ADB) Asian Institute of Management ASKI MBA Association of Development Financing Institutions in Asia and the Pacific Business Daily Mirror Publishing BusinessWorld Publishing Corp. CARD MBA CARD MRI Cebuana Lhuillier Insurance Solutions Center for Economic Policy Research Chartis Philippines Insurance, Inc. CLIMBS Cooperative Insurance System of the Philippines Country Bankers Insurance Group Country Bankers Life Insurance Corporation De La Salle University Denis Garand and Associates Department of Finance Developing Micro-insurance Project diaryongtagalog.com DLXQ/DWBL DWBL/LIGA NG MAG Broadcasters DWDD/Peoples Monitor/DWAD DZAR 1026 kHz Sonshine Radio FICCO-MBA Fortune General Insurance GrepLife Financial Inc. GIZ IBC-13 INAFI | Innovation for Poverty Action Insurance Commission Insurance Institute for Asia and the Pacific (IIAP) Insurance Philippines International Broadcasting Cup Kasagana-ka MBA Katipunan Bank-MBAI KCCDFI LIGA ng mag Broadkaster Malayan Insurance Company Mapfre Insular Maxicare Healthcare MICRA Philippines Foundation MicroEnsure Microfinance Council of the Philippines MLA-NewsWatch MWIMPC NBN-4 Pagasa ng Masang Pinoy Foundation, Inc. Peoples Bank of Caraga – MBA Phil- Information Agency Phil. Prudential Life Insurance Co., Inc. Philamlife Philippine American Life and General Insurance Philippine Crop Insurance Corporation Philippine Daily Inquirer Philippine Health Insurance Corporation Philippine Information Agency Philippine Insurers and Reinsurers Association Philippines Free Press Philippines News Agency Pinas Global Newspaper PinoyME Foundation Pioneer Insurance Surety Pioneer Intercon Insurance Pioneer Life Quidan Pag-Inupdanay-MBA |
| Bangladesh Dhaka University GIZ INAFI RADOL | Ethiopia ILO Oromia Insurance Company S.C | Indonesia Allianz Life Avrist Assurance GIZ Koperasi Nusantara PT Asuransi Jiwasraya (Persero) Pt Lippo General Insurance Tbk | Luxembourg ADA Microinsurance Network | | |
| Belgium BRS Solvay Brussels School of Economics and Management | Fiji FijiCare Insurance Limited Home Finance Company Limited (HFC) UNDP | Italy IFAD UN World Food Programme | Malaysia Central Bank of Malaysia Hannover Re | | |
| Bolivia Aon Bolivia S.A. Profin Foundation | France Hannover Re ILO MACIF Paris Dauphine PlaNet Guarantee | Ivory Coast ILO/UNACOOPEC | Mexico Banco Compartamos | | |
| Brazil Bradesco Auto/Re Cia. De Seguros Confederation of Brazilian Insurance (CNSeg) Superintendência de Seguros Privados | Germany BaFin EPOS Health Management Federal Ministry for Economic Cooperation and Development (BMZ) German Insurance Association (GDV e.V) GIZ Hannover Re KfW MISEREOR Munich Re Munich Re Foundation Roland Berger Strategy Consultants University of Mannheim | Jordan Microfund for Women | Mongolia Capacity Development for the Microinsurance Market Financial Regulatory Commission Mongol Daatgal LLC Prime General Insurance UNDP Mongolia | | |
| Cambodia CHC MEADA Program GRET GIZ Ministry of Economy and Finance Ministry of Health Seilanithih Limited | Ghana Donewell Life GIZ National Insurance Commission SIC LIFE Company Limited Vanguard Life Assurance | Kenya Association of Kenya Insurers CIC ILO Insurance Regulatory Authority International Livestock Research Institute (ILRI) JUMUIA Fund For Development National Hospital Insurance Fund Pioneer Assurance Swedish Cooperative Centre | Netherlands Berende Consulting FMO Nyenrode Business Universiteit University of Groningen University of Twente WorldGranny | | |
| Cameroon Ministry of Finance | | | Mozambique IGS/GIZ | | |
| Canada Canadian Co-operative Association Denis Garand and Associates ID&CS Interance Holding University of Guelph University of Manitoba | | | Nigeria International Centre for Energy Environment and Development | | |
| China China Life China Meteorological Administration GIZ Munich Re PICC P&C Swiss Re Unirisx | Haiti AIC | | Norway Interance Holding | | |
| | | | Pakistan First Microinsurance Agency Naya Jeevan | | |
| | | | Papua New Guinea Office of Insurance Commissioner Pacific Assurance Group | | |

- Radyo Ng Bayan
- RBAP-MABS Program
- RBT-MBA
- Reuters
- RIMANSI
- SEDP MBA
- Simbag sa Emerhensya
Asin Dagdag Paseguro
(SEDP)-MBA
- Sonshine Media
Network International
(Pinas Newspaper)
- Sonshine Media
Network International
(TV 39)
- St. Jude Multi-Purpose
Cooperative
- The Karis Retreat House
Tagaytay Foundation
Inc.
- The Manila Times
Publishing Corp.
- TSPI Development
Corporation
- TSPI Mutual Benefit
Association
- Urban Program for
Livelihood Finance
and Training
- Singapore**
- Allianz SE
- Aon Benfield Asia Pte Ltd
- DHI Water and
Environment
- ILO
- Moris Rasik
Munich Re
- South Africa**
- Cenfri
- Financial Services Board
- FinMark Trust
- Hollard Insurance Group
- Lombard Insurance
Group
- Mutual and Federal
Insurance
- New Markets, Mutual
and Federal Centre
- Old Mutual
- Quindiem Consulting
- SAIA
- Tres Consulting
- Spain**
- ILO
- Sri Lanka**
- Mercy Corps
- Sudan**
- Shiekan Insurance and
Reinsurance
- Switzerland**
- AKAM
- Bamboo Finance
- ETH Zurich
- Fair Trade Insurance
Initiative
- IAIS
- ILO
- MicroInsurance Centre
- UN Environment
Programme Finance
Initiative
- University of St.Gallen
- Zurich Financial Services
- Taiwan**
- Financial Supervisory
Commission
- Tajikstan**
- GIZ
- Tanzania**
- Financial Sector
Deepening Trust
GIZ
- Thailand**
- Office of Insurance
Commission
- United Nations Capital
Development Fund
- Uganda**
- Microcare Ltd
- Uganda Insurance
Commission
- United Kingdom**
- Development Fund
GSMA
- ICMIF
- LeapFrog Labs
- London School of
Economics
- MicroEnsure
- Sa-Dhan
- University of Oxford
- Abt Associates
- USA**
- Barnert Global Ltd.
- CGAP
- Columbia Business
School
- EA Consultants
- Freedom from Hunger
- GA Department of
Insurance
- Georgia State University
- Global Insurance
Consulting
- Guy Carpenter
- Harvard Kennedy School
- ICS Insurance Solutions
- IFPRI
- Institute of International
Education
- Legacy Growth Partners
- Microfinance
Opportunities
- MicroInsurance Centre
- RMS
- Spes Nova
- The World Bank
- Thrivent Financial for
Lutherans
- University of California
at Berkeley
- University of Missouri
USAID
- Women's World Banking
- Yale University
- CFRC
- Vietnam**
- German Cooperative
and Raiffeisen
Confederation
- Ministry of Finance
- SNV – Netherlands
Development
Organisation
- TYM Fund – Vietnam
- Women's Union
- FinScope Zambia
- Zambia**
- ILO/FinMark Trust
- Insurance Brokers
Association
- Insurers' Association
Pensions and Insurance
Authority
- Savanna Insurance
Brokers
- Technical Advisory
Group

Figure 28
Number of participants
by continent

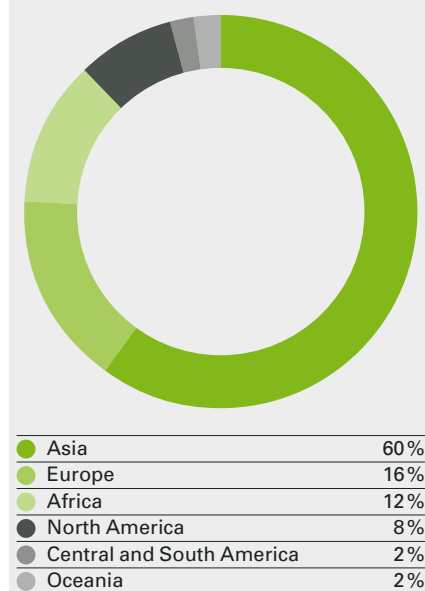
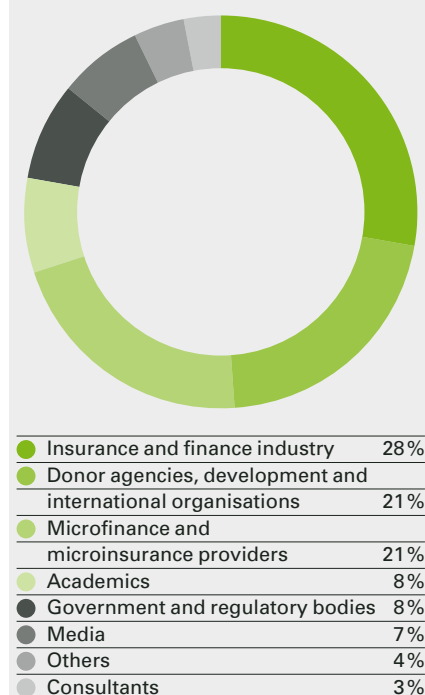


Figure 29
Type of representatives



Acronyms

| | | | | |
|---|---|---|--|--|
| ADA Appui au développement autonome (Luxembourg) | CGAP Consultative Group to Assist the Poor | GIZ (former GTZ) Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation) | MBA Mutually Beneficial Association | SACCO Savings and credit cooperative |
| ADB Asian Development Bank | CHF Community health fund | GMAC Garment Manufacturers Association of Cambodia | MCPI Microfinance Council of the Philippines Inc. | SAIA South African Insurance Association |
| AIC Alternative Insurance Company (Haiti) | CIC Cooperative Insurance Company of Kenya | GNI PPP Gross national income, purchasing power parity | MI Microinsurance | SBI State Bank of India |
| AIG (now Chartis) American International Group (Uganda) | CICS Claims in course of settlement | GRET Solidarity and International Cooperation Association (France) | MFI Microfinance Institution | SEC Securities and Exchange Commission |
| AKAP Card Ang Inyong Kalusugan Ay Pangangalagaan ng Card | CIDR Centre of Integrated Development and Research | HDI Human Development Index | MIA Micro Insurance Academy | SSS Sarva Shakti Suraksha (India) |
| a2ii Access to Insurance Initiative | CIRM/IFMR Centre for Insurance and Risk Management/ Institute for Financial Management and Research | HIP Health insurance programme | MIM Microinsurance Map | SUSEP Superintendência de Seguros Privados |
| APEC Asia-Pacific Economic Cooperation | CLIMBS Co-op Life Insurance and Mutual Benefit Services | HMI Health Microinsurance | MIPSS Microinsurance Innovations Program for Social Security | TAT Turn-around time measures |
| ASKI Alalay sa Kaunlaran Inc. | CMA China Meteorological Administration | IAIS International Association of Insurance Supervisors | MiX Microfinance Information Exchange | TDUF process "Knowing what the clients think, do, use and feel" |
| AssEF Association d'Entraide des Femmes (Benin) | CNSeg Confederação Nacional das Empresas de Seguros (Brazil) | IBNR Incurred but not reported | MRI Mutually Reinforcing Institutions | US\$ United States dollar |
| BASIX Microfinance branch of Bharatiya Samruddhi Investment and Consulting Services Ltd. (BASICS LTD) | CSR Corporate social responsibility | ICICI Industrial Credit and Investment Corporation of India | MTA Money transfer agencies | Vimo SEWA Insurance programme of the Self Employed Women's Association (India) |
| BMZ Federal Ministry for Economic Development and Cooperation (Germany) | DFID Department for International Development (UK) | IFAD International Fund for Agricultural Development | MXN Mexican pesos | WRSI Water Requirement Satisfaction Index |
| BoP Bottom of the pyramid (Population) | DHI Danish Hydraulic Institute | IFPRI International Food Policy Research Institute | NGO Non-governmental organisation | WFP World Food Programme |
| BPL Below the poverty line | EDRI Ethiopian Development Research Institute | ILO International Labour Organization | NHIP National Health Insurance Program | WRMF Weather Risk Management Facility |
| BRS Belgian Raiffeisen Foundation | ENEF National Strategy for Financial Education (Brazil) | INR Indian rupees | NIC National Insurance Commission Ghana | ZAR South African rand |
| CaMIA CARD MRI Insurance Agency | ETB Ethiopian birr | IRDA Insurance Regulatory and Development Authority (India) | PAID Package Assistance In case of Disaster | |
| CARD MBA Centre for Agriculture and Rural Development Mutual Benefit Association | FAO Food and Agriculture Organisation | KaSAPI Kalusugan ay Sigurado at Abot Kaya sa PhilHealth Insurance | PHP Philippines pesos | |
| CARD MRI Centre for Agriculture and Rural Development Mutually Reinforcing Institutions | FMCG Fast-moving consumable good | KYC "Know your customer" | PICC People's Insurance Corporation of China | |
| CARE Cooperative for Assistance and Relief Everywhere, Inc. | GDP Gross domestic product | LEAP Livelihoods, Early Assessment and Protection | PIRA Philippine Insurers and Reinsurers Association | |
| Cenfri Centre for Financial Regulation and Inclusion (South Africa) | | LLC Limited liability company | PLIA Philippine Life Insurance Association | |
| | | | RCT Randomised control trial | |
| | | | RIMANSI Risk Management Solutions Inc. | |
| | | | ROE Return on equity | |
| | | | ROSCA Rotating Savings and Credit Association | |
| | | | RSBY Rashtriya Swasthya Bima Yojana (India) | |

Outlook on Brazil, the host country of the 7th International Microinsurance Conference 2011

Over the past few years, the Brazilian insurance industry has grown strongly as a sense of transformation and new-found prosperity has swept across Brazil. The mainstream insurance products cover about 15% of the population, 29 million people (see Figure 30). Microinsurance has a huge potential market of nearly 130 million people and so far only 33 million people have any insurance protection.

However, for broader acceptance and expansion of microinsurance, building a sound information and awareness base is crucial. People in Brazil generally are passionate about life and do not want to think about insurance which reminds them of death. Changing this cultural mindset is as big a challenge as introducing a special regulatory measure. Insurance education is part of a broad programme entitled the National Strategy for Financial Education (ENEF) that Brazil's government has already approved. The first initiative began in 2009 in high schools.

Challenges going forward

Scope fiscal impact of special tax regime

- Develop scenarios
- Undertake broader regulatory impact assessment

Review/develop subordinate legislation to implement MI regime

- Develop parameters by product line
- Microinsurance broker regime
- Microinsurance correspondent regime

Consider the regulation of funeral assistance

Build a sound information base

Overall, microinsurance in Brazil is in its starting phase and both government and the industry are very interested in finding solutions for the large number of people that still have no access to insurance.

© 2011

Munich Re Foundation
Königinstrasse 107
80802 München, Germany
Letters: 80791 München, Germany
Telephone +49 (0)89 38 91-88 88
Fax +49 (0)89 38 91-7 88 88
info@munichre-foundation.org
www.munichre-foundation.org

Order number
302-06931

Contact
Dirk Reinhard
dreinhard@munichre-foundation.org

Design
Keller Maurer Design, Munich

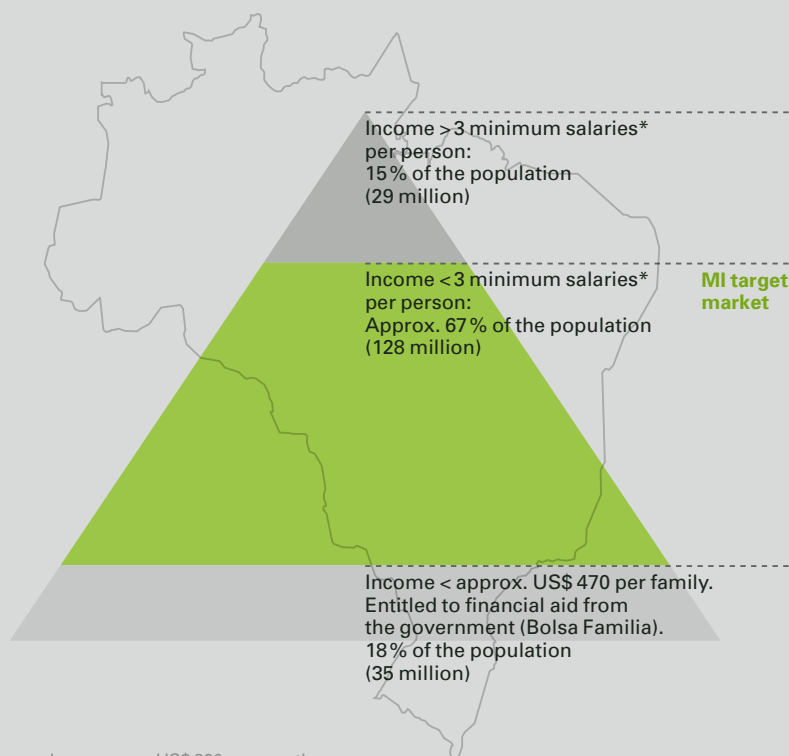
Lithography
Gold, Munich

Printed by
Druckerei Fritz Kriechbaumer
Wettersteinstrasse 12
82024 Taufkirchen, Germany

Picture credits
Figure 7 – People carrying a house:
Christer Youth Ministry of
the Church of Christ in Dulangan,
Digos City, Davao del Sur,
Philippines

Picture 85: Thomas Loster,
Munich Re Foundation

Figure 30
Who is the target market?



* Minimum salary: approx. US\$ 320 per month.

Source: Bester, H. et al. "Microinsurance in Brazil". Cenfri, South Africa. 2010

After all, breaking the cycle of poverty will be the true measure of success of any government, improving the lives of its people.

Cesar V. Purisima, Secretary of Finance,
Philippines

Published by

**Munich Re
Foundation**
From Knowledge
to Action

In cooperation with

**micro
insurance
network**

Supported by



giz

