



Report

8th International Microinsurance Conference 2012

Making insurance work for the poor

6–8 November 2012
Dar es Salaam, Tanzania

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

2 — Dirk Reinhard,
Munich Re Foundation, Germany.

Conference documents and
presentations
are available online at:
www.microinsuranceconference.org/2012

Links:

Munich Re Foundation
www.munichre-foundation.org

Microinsurance Network
www.microinsurancenetwork.org

Acknowledgements

This report is the summary of the 8th International Microinsurance Conference that took place in Dar es Salaam, Tanzania, on 6–8 November 2012. The conference was hosted by the Munich Re Foundation and the Microinsurance Network, with the support of the Tanzania Insurance Regulatory Authority (TIRA), the Association of Tanzanian Insurers (ATI), GIZ/BMZ, Making Finance Work for Africa (MFW4A), the African Insurance Organisation (AIO), the Insurance Regulatory Authority of Uganda (iRA), Uganda Insurers Association (UIA), Georgia State University's Center for the Economic Analysis of Risk (CEAR), the African Development Bank (AfDB), the International Cooperative and Mutual Insurance Federation (ICMIF), FinMark Trust, and the International Labour Organization (ILO).

TIRA and ATI provided outstanding support and guidance to make this conference an extremely well attended event and a true success. We would especially like to thank the Insurance Commissioner Mr. Israel Kamuzora and ATI's Chairman Manfred Sibande, who were personally involved in the entire organisational process. It was a great honour and pleasure to work with them and their engagement was unprecedented. We would also like to express our appreciation to the entire team of TIRA, especially Senior Public Relations Officer Eliezer Rweikiza, who worked literally day and night and solved any problem that arose.

The 8th International Microinsurance Conference was honoured by the presence of the Hon. Mohamed Gharib Bilal, Vice-President of the United Republic of Tanzania and Hon. William Mgimwa, Minister of Finance of the United Republic of Tanzania. H.R.H Princess Máxima of the Netherlands, UN Secretary-General's Special Advocate for Inclusive Finance for Development, contributed to the opening session with a video message. The dignitaries' keynote and welcoming speeches laid the ground for the discussions in the subsequent 28 sessions of the conference.

For three days, approximately 90 speakers and facilitators discussed innovative and sustainable micro-insurance programmes, illustrated by the latest case studies and research results. We would like to thank all of the presenters for dedicating time and resources to share their knowledge and experiences with the goal of expanding effective risk management solutions for the vulnerable low-income sector.

No fewer than 16 insurance regulatory bodies were represented – more than in any of the previous conferences. This signals the strong commitment of commissioners to build inclusive insurance markets, and their keen interest in learning more about the application paper on microinsurance regulation that was recently published by the International Association of Insurance Supervisors (IAIS).

Our appreciation also goes to the nearly 600 participants from 60 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 the 18 members of the conference steering committee. This event would not have been possible without their work to identify suitable speakers and presentations from almost 200 submissions for speeches that were received during the preparations for this conference.

A special “thank you” goes to the team of rapporteurs – Sarah Ebrahimi, Alice Merry, Marlene Mueller, María Victoria Saenz and Marijn van der List – led by Zahid Qureshi, for helping us gather and document the key messages and lessons from the various sessions of the 2012 conference. They did a terrific job objectively summarising the speakers' presentations as well as the different views and opinions expressed during the discussions. As the style of the sessions changes, so does the style of the individual summaries. Readers, authors or organisers may not share all opinions expressed or recommendations given – but they reflect the rich diversity of the discussions.

A conference of such magnitude needs a lot of people working behind the scenes. The organisation team – Paula Jiménez, Petra Hinteramskogler, Christian Barthelt, Torsten Kraus – did an amazing job to organise an exceptional event. A special “thank you” goes to Thomas Loster, Chairman of the Munich Re Foundation, for his ongoing support of the conference project. We would also like to thank the Executive Director of the Microinsurance Network, Véronique Faber, and her entire team for their great support with communication and evaluation.

What's next? After Latin America in 2011 and Africa in 2012, it is Asia's turn again. The 9th International Microinsurance Conference will take place from 12–14 November 2013 in Jakarta, Indonesia. The conference will see the presentation of a groundbreaking study on the “Landscape of microinsurance in Asia” as well as presentations on a variety of new research and lessons learnt. We eagerly anticipate the interesting sessions, presentations and discussions and look forward to welcoming you in Jakarta.

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

Craig Churchill, Chairman, Microinsurance Network, and Team Leader of the ILO's Microinsurance Innovation Facility

Munich, Geneva, March 2013

Agenda

Day 1 morning sessions 6 November 2012

Pre-conference seminar 1

Regulation, supervision and policy

Hosted by IAIS, MIN,
Access to Insurance Initiative

Facilitator
Brigitte Klein
GIZ, Chair of Regulation,
Supervision and Policy Working
Group of the MIN, Germany

Welcome
Israel Kamuzora
Commissioner of Insurance,
TIRA, Tanzania

IAIS guidance on inclusive
insurance: Presentation
of IAIS application paper
Peter van den Broeke
International Association of
Insurance Supervisors (IAIS),
Switzerland

Intermediation challenges –
Panel of supervisors

Nyamikeh Kyiamah
Commissioner, NIC, Ghana

Evelyn Singun
Head of Investment Division,
IC, Philippines

Ibrahim Jankara
Deputy Manager, NAICOM, Nigeria

Faraz Uddin Amjad
Joint Director (Insurance),
SECP, Pakistan

Facilitator
Hennie Bester
FinMark Trust, South Africa

Consumer protection and
market conduct challenges –
Panel of supervisors

Ibrahim Lubega
Commissioner of Insurance,
IRA, Uganda

Sudhin Roy Chowdhury
Member at IRDA, India

Sammy Makove
Commissioner of Insurance,
IRA, Kenya

Facilitator
Jacky Huma
Head Microinsurance
Supervision, FSB, South Africa

Closing

Mustapha Lebbar
Chair of the IAIS-MIN Joint Working
Group and Financial Inclusion
Subcommittee of the IAIS, Morocco

Pre-conference seminar 2

Academic track

Hosted by Georgia State
University/CEAR

Elisabet Rutstrom
Professor, GSU, USA
Experimental methods and
Behavioural economics

Jimmy Martínez-Correa
Professor, Copenhagen
Business School, Denmark
Behavioural risk management
and Insurance

Daniel Clarke
University of Oxford/
World Bank, UK
Actuarial science,
economics and the design of
index insurance products

Facilitator
Richard Phillips
Chairman, Department of
Risk Management and
Insurance, Georgia State
University (GSU), USA

“Microinsurance alone is not sufficient to protect the poor. It nevertheless plays a very critical role in complementing the more formal insurance schemes and governmental social protection systems which are not reaching the rural poor.”

Hon. Mohamed Gharib Bilal
Vice-President of the United Republic of Tanzania



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6

3 — Journalists interviewing Tanzania's Vice-President.

4 — 15 organisations presented their work in the exhibition area.

5 — Group discussions in parallel sessions 5 and 9.

6 — Left to right: Yvonne Deblon, GIZ, Germany; Craig Churchill, Microinsurance Network ILO/Microinsurance Innovation Facility, Switzerland; Martina Wiedmaier-Pfister, A2ii/BMZ, Germany; Jordan Rugimbana, Dar es Salaam Regional Commissioner Representative; Dirk Reinhard, Munich Re Foundation, Germany; Hon. William Mgimwa, Minister of Finance of the United Republic of Tanzania; Richard Phillips, Georgia State University, USA; Brigitte Klein, GIZ, Germany; Yoseph Aseffa, ILO, Ethiopia; Hon. Mohamed Gharib Bilal, Vice-President of the United Republic of Tanzania; Gaby Ramm, Consultant, Germany; Richard Leftley, MicroEnsure, UK; Doubell Chamberlain, Cenfri, South Africa; Thomas Loster, Munich Re Foundation, Germany; Claudia Huber, GIZ, Germany; Prisca Soares, African Insurance Organisation, Cameroon; Israel Kamuzora, Commissioner of Insurance, TIRA, Tanzania.

7 — A participant in parallel session 8 discussing a mapping solution for business excellence.



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Pre-conference seminar 1

Regulation, supervision and policy

Regulation plays a critical role in creating an enabling environment which motivates financial service providers, protects the interests of clients and ensures that they can access innovative insurance products and doorstep services that are affordable.

In recognising the importance of effective regulation and supervision in developing sustainable microinsurance markets, over 100 representatives of insurance supervisory authorities from 30 countries and all continents deliberated the opportunities and challenges for microinsurance policy, regulation and supervision in this 4th seminar preceding the annual conference.

The seminar informed supervisors of the newly released guidance of the International Association of Insurance Supervisors (IAIS) in the form of the "IAIS Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets".

The IAIS guidance highlights crucial areas for proportionate application of generally accepted international insurance supervisory standards when pursuing initiatives on financial inclusion.

In two expert panels, supervisors reviewed their challenges and regulatory experiences on intermediation, market conduct and consumer protection.

Panellists represented supervisory authorities in Ghana, India, Kenya, Nigeria, Pakistan, the Philippines and Uganda.

Ghana

People are not always aware that insurance products other than mandatory ones are available.... A key challenge is effective disclosure by mobile operators to a population with a high illiteracy rate.

Ghana's National Insurance Commission (NIC) has been driving a country-wide process, for several years now, in close dialogue with industry. A recent achievement is a regulatory framework for insurance.

One new measure is implementation of the requirement of insurers to let the NIC know that their products are affordable and accessible – the latter focusing mainly on doorstep services – rather than the NIC approving microinsurance products.

Commercial insurers and specialised microinsurance intermediaries are the main market participants driving microinsurance. The key challenge in Ghana's market is the fact that the population is not always aware that insurance products other than mandatory ones are available.

There is also the challenge of regulatory issues relating to mobile operators. Mobile phones play an important role in insurance distribution and two of the four major distributors of mobile services are involved in microinsurance. They must resolve the problem of effective disclosure to a population with a high illiteracy rate.

Nigeria

The regulatory framework is addressing mis-selling and the lack of insurance education; most people who would qualify for insurance have no idea why and how it can help them.

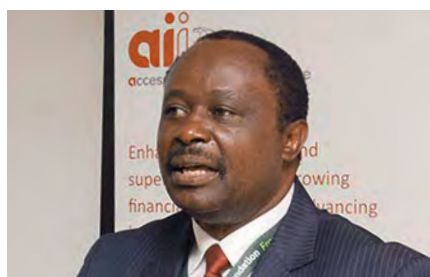
In Nigeria, the microfinance market is focused on lending and insurance is driven by informal operators. The main intermediation channels in the country are MFIs and cooperatives – both informal – and brokers. Mobile payments are making their way into the insurance sector. Corporate agencies are prohibited by law.

The National Insurance Commission (NAICOM) is on the verge of issuing microinsurance guidelines that aim at opening up the intermediation space, which will allow innovative models such as cooperatives, esusus (rotating credit and savings groups), NGOs and NIPOST.

The recent country-wide process being driven by NAICOM includes the creation of a regulatory framework that can facilitate the development of the industry and provides for a total review of the system.

The regulatory framework will include proposals to fix market conduct/mis-selling issues and promote insurance education, to improve the existing situation in which most people who would qualify for insurance have no idea why and how insurance can help them.

It is expected that this new regulatory framework will earn consumers' trust in the market when they see that the regulator is addressing issues to protect them.



8 — Israel Kamuzora, Commissioner of Insurance, TIRA, Tanzania.

9 — Peter van der Broeke, IAIS, Switzerland.

The Philippines

The regulator specifically defines microinsurance: premiums per day not exceeding 5% of the daily minimum wage for non-agricultural activities in Manila (US\$ 0.50), and sum insured not more than 500 times this minimum wage.

In the Philippines, around eight million policyholders are proof of strong industry engagement coupled with regulatory action. To facilitate intermediation, the national Insurance Commission (IC) has issued several circulars on new entry requirements, opening up microinsurance distribution space, granting approval for training programmes for microinsurance agents, setting performance indicators, incorporating previously informal activities (notably cooperatives and NGOs) into the insurance regulatory regime, and facilitating inter-agency coordination among various government authorities. The main delivery channels for microinsurance products are brokers, insurance agents, MFIs, rural banks, and co-operative banks.

Mobile payment systems have facilitated outreach and claims settlements, especially in rural areas through rural banks. Regulation has made distribution easier with the creation of microinsurance agents and over 13 training and education programmes administered by insurers.

The country also has a specific definition of microinsurance: premiums per day not exceeding 5% of the daily minimum wage for non-agriculture activities in Manila (US\$ 0.50), and sum insured not more than 500 times this minimum wage. There are more than 93 different products and more than four million policies comply with the definition. The vision for the Philippines is for every citizen to have insurance protection by 2020.

Pakistan

The regulator is making sure that insurers comply with codes of competence and ethics in selling with total disclosure. Mobile companies must submit their distribution contracts with insurers and agents to the supervisor for approval.

Pakistan's microinsurance market has four million policyholders, according to a recent country study. Microfinance banks predominantly have the greatest outreach in microinsurance. However, the fact that the market is served largely by unregulated providers presents a challenge. Regulation has encouraged a variety of brokers and agents; it promotes innovation but also allows for regulatory arbitrage.

Pakistan's recent and comprehensive country diagnostic study looked at the various building blocks, providing a basis for determining its regulatory direction.

The Securities and Exchange Commission of Pakistan (SECP) has circulated a consultation paper in preparation for the adoption of a dedicated regulatory framework for microinsurance.

So far, the channel that has been promoting microinsurance has been the individual agents, who have gone to poor neighbourhoods, knocking on every door. Individual agents are not registered by the SECP; it is the insurer that is liable for their conduct and for training. Nor are corporate insurance agents obliged to register with SECP, as they can be included in the corporate register.

Innovative distributors are on the rise: Pakistani Telecom, digital TV channels, shops or third-party kiosks. There are drugstores selling prepaid microinsurance cards. Two international brokers have come to the country. Selling through utility companies is also increasing.

Furthermore, the mobile industry has an important stake. Mobile companies must submit their distribution contracts with insurance companies and agents to the supervisor for approval. Pakistan is also promoting other distributors such as third-party administrators.

Consumer protection is a major challenge as literacy is low in rural areas and among the poor in general. SECP is trying to make sure that insurance companies comply with codes of competence and ethics in the selling process with total disclosure.

SECP will soon issue a Code of Consumer Protection for which insurers are liable, and a Code of Conduct for agents.

SECP has also embarked on partnerships to facilitate intermediation. A striking example is the mobile network operator that bought a micro-finance bank and now has more outlets than bank branches in the country.

A key challenge is to achieve true scale and value. SECP recognises its role as a driver of this process.



10 — Left to right: Ibrahim Jankara, NAICOM, Nigeria; Evelyn Singun, IC, Philippines; Nyamikeh Kyiamah, NIC, Ghana; Faraz Uddin Amjad, SECP, Pakistan.

Pre-conference seminar 1

Regulation, supervision
and policy

India

In terms of protection, IRDA is also concerned about protecting insurers from false claims.

India was the first country to issue microinsurance regulations in 2005. The Insurance Regulatory and Development Authority (IRDA) is now preparing for the adoption of a revised regulatory framework for microinsurance. The main thrust of the updated regulation is the definition of microinsurance, the scope of the product and the delivery channels.

IRDA is planning to remove the cap on the sum insured of INR 10,000 (US\$ 185), which proved to be too low. Premium-level restrictions will also be removed. Another envisaged change is aimed at encouraging more product flexibility such as “combo” products insuring life, health and fire. Last but not least, IRDA plans to allow the selling of insurance through banking correspondents, or other new kinds of intermediaries such as state cooperative banks, regional banks, small “kiranha shops” (stand-alone retail outlets), or the over 100,000 Government Common Service Centres in villages. Ordinary insurance agents will also be allowed to sell microinsurance.

Over the past four years, microinsurance sales increased by a factor of almost 25, from US\$ 4.62m in 2008/9 to US\$ 123.4m in 2011/12.

IRDA's current concerns relate to consumer protection issues, such as mis-selling and lack of transparency, misrepresentation of insurance, breach of contract, misappropriation of premiums, claims management, financial literacy and capping charges on group policies. The challenges are many as the supervisor must guarantee the good service of the agent and must oversee the contracts, which could be written in any of the 22 different languages.

In terms of protection, IRDA is also concerned about safeguarding insurers from false claims.

Finally, IRDA has been closely co-operating with the Reserve Bank of India and the Ministry of Finance to advance microinsurance in terms of quality and scale.

Kenya

Mobile payments are revolutionising intermediation and inclusion, but pose regulatory challenges from insurance transactions that are no longer conducted face-to-face and involve no electronic policies.

Kenya's Insurance Regulatory Authority (IRA) sees consumer protection and consumer value as being closely linked. IRA does not see consumer protection as an exclusive area of supervisors.

Efficient company customer service desks could be a great help, as grievance handling should be first sorted out in the company. However, the low-income client may not know or not dare to access this mechanism.

Supervising all steps of the delivery process and disclosure of clear information are focus areas of the regulator. IRA, for example, approves contracts between the insurance companies and agents.

Microinsurance intermediation in Kenya relies heavily on the mobile payment system, M-PESA, which has revolutionised the concept of financial inclusion. It has driven the success of the financial sector in Kenya with more than ten million (of 40 million Kenyans) account holders now having access to financial transactions in their neighbourhoods.

The specific market conduct challenges of this system emanate from transactions that are no longer conducted face-to-face between the customer and insurance companies. It adds uncertainty to the process. Although real-time delivery is assured, there are no electronic policies. One of the characteristics of supervision in Kenya is the collaborative effort among all supervisory entities: cooperative regulator, central bank, ministry of finance, and the pensions and insurance regulators.



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11 — Left to right: Sammy Makove, IRA, Kenya; Sudhin Roy Chowdhury, IRDA, India; Flavia Nakimera Mpagi, Insurance Regulatory Authority, Uganda.



12 — Facilitator: Hennie Bester, FinMark Trust, South Africa.

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Uganda

The supervisor has created a claims bureau to handle customer complaints. Its experience shows that the vast majority of complaints are related to the customer's lack of understanding of the coverage.

Uganda has a rich history of micro-finance. Microinsurance has been growing for quite some time but has been operating informally. In 2011, microinsurance was integrated into the insurance amendment law and detailed regulations are being drafted at present.

The sector still faces challenges because most insurers are far away from the "poor, illiterate and rural" reality. People do not understand what they are buying – as in many developing countries.

In Uganda, the biggest distribution channel is bancassurance. As formalised microinsurance activity is very recent and insurers only offer a few products, the iRA plans to improve the regulatory environment so as to encourage long-term protection while creating incentives that will allow bancassurance to prosper.

Uganda's market has various types of companies which are involved in the insurance value chain but regulated by several regulators. The iRA signed memorandums of understanding with the Bank of Uganda, the Capital Markets Authority and the Ministry of Finance to coordinate and tap into their client bases.

Uganda's supervisor has created a claims bureau to handle customer complaints. Its experience shows that the vast majority of complaints are related to the customer's lack of understanding of the coverage.

In the country's financial sector, actors like the Bank of Uganda and the insurance association have been taking steps to advance financial literacy and financial consumer protection, for example a toll-free line for consumer complaints and an on-line portal at the insurance association. The practice of bancassurance however entails some consumer protection challenges. Banks charge a premium of 2% and pass on 1% to the insurers (fairly priced premium rates in credit life are much lower).

Main findings and conclusions

A main concern of regulators and supervisors is **consumer protection**. High illiteracy rates among potential customers make them vulnerable to mis-selling and fraud. Some clients do not even know that they are buying insurance, as it is known, with credit life. Those who know they have it often do not understand it.

Telecommunication regulators in charge of the mobile network operators need to deal with transparency issues and fraud prevention in conjunction with the insurance supervisor. Secure premium payment is an issue with mobile network operations.

Innovative business models require clear responses from supervisors. Various supervisors report **efforts to adapt their regulatory frameworks** with the aim of allowing a wider variety of delivery channels.

Supervisors need to engage in **stakeholder processes** with the industry in their countries to develop the market in a holistic way.

As agencies are too expensive to set up and manage, individual agents might not be the most effective solution for broad coverage. **Innovative aggregator models** that come with a large client base are making headway.

Loyalty programmes are on the rise in African markets, but most customers are not aware of the fact that they have insurance. These schemes are often also not regulated under the insurance space.



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13 — Left to right:
Brigitte Klein, GIZ, Germany;
Mustapha Lebbar, Chair of
the IAIS-MIN Joint Working
Group and Financial Inclusion
Subcommittee of the IAIS,
Morocco.

14 — Jacky Huma, FSB,
South Africa.

Pre-conference seminar 2

Academic track

The seminar, hosted by Georgia State University, focused on the use of experiments in studying behavioural aspects of microinsurance.

How to design an experiment

Randomised controlled trials (RCTs) estimate whether an intervention has an impact. Because the impact of an intervention can be heterogeneous, it is important to go beyond the question of whether a certain outcome or impact is found and look inside the decision process to show why certain effects are found. This can be done by doing experiments which, just like RCTs, rely on randomised assignment.

According to researchers in this session, it is vital to first build a model based on theory before setting up an experiment. This will guide the process of the design of data collection and ensure internal validity. There are three elements of theory that are important: choices, preferences and perceptions.

Experiments can be used to find out why demand for insurance differs among people by eliciting the parameters within the utility function. For the experiment, it is necessary to create a choice situation, specify the utility function and estimate r (curvature of the utility function) and ϖ (probability).

It is important to measure subjective probabilities, which are “inside people’s heads” instead of actuarial probabilities which are too sophisticated in relation to how people make decisions in real life.

On the basis of the utility function, it is clear how many parameters need to be estimated. More parameters in the equation imply more work but are necessary to achieve higher explanatory power. If one wants to estimate two parameters, one needs to vary two things. If only one thing is varied, an identification problem will pop up.

Moreover, it is important to control for variations in non-behaviour variables like the price of insurance, the value of the property insured and the damage done as these vary by product.

Furthermore, auxiliary influences need to be controlled to whatever degree possible to have precise measurements. The influence on respondents should be minimised by giving monetary incentives, making people really understand the experiment and keeping it short in order not to bore them.

In an ideal experiment everything is observable, (monetary) incentives suffice for respondents to tell the truth and one is able to predict demand across broader market segments. In practice, researchers should try to come close to this ideal (see Table 1).

Table 1 Summary of lessons and common problems	
Lesson 1	Start with theory
Lesson 2	You cannot implement an ideal experiment
Lesson 3	Details of instruments matter
Lesson 4	Theory needs to be augmented by a stochastic choice process
Lesson 5	Identification quickly becomes a problem in flexible models
Common Problem 1	Overfitting and underidentification
Common Problem 2	Lack of power
Source: Rutstrom, Elisabet. Presentation “Experimental methods and behavioural economics”. 8th International Microinsurance Conference 2012	



15 — Elisabet Rutstrom, Georgia State University, USA.

Risk attitudes of the poor

People make decisions in different ways when exposed to risk and uncertainty, which has an impact on the type of insurance they would like to have. The poor can deal with risk through mutual insurance schemes and informal webs of risk-sharing. The challenge of microinsurance is to find its place in the universe of risk-managing strategies that the poor use.

To ensure that they provide better insurance, insurers need to know how risk attitudes of the poor are characterised and whether there actually are any other formal and informal risk-management tools in place (see Figure 1).

The best way to look at risk attitudes is to measure the risk premium. The risk premium is the minimum amount people would like to get to feel compensated for the risk they are taking. Risk attitudes are multi-dimensional and composed of different elements. There are different theories that include one or more of these elements.

Expected utility theory (EUT) calculates weighted averages and is based on aversion to variability. Rank-dependent utility (RDU), with individuals overweighting low-probability events such as winning the lottery, is based on aversion to variability and probability pessimism. Cumulative prospect theory (CPT) is a further development of prospect theory and relies on aversion to variability, probability optimism or pessimism and loss aversion.

Another important aspect of the risk premium is background risk, which means that demand for a specific insurance can also be influenced by other risks people are facing which may or may not be correlated to the risk someone wants to insure.

Ambiguity aversion is another component of the risk premium and means that people have a preference for known over unknown probabilities. Multivariate risk aversion, also important to take into account when looking at risk attitudes, means that people can have different risk attitudes towards different situations. For example, people can gamble with their income in a casino and at the same time display highly risk-averse behaviour when it comes to buying a house. In this case, insurance with flexible bundles of contracts should be offered.

Figure 1
More components of the risk premium



Pre-conference seminar 2
Academic track

Different behavioural assumptions have an important impact on the type of insurance contract people would like to buy. Low insurance demand can relate to the fact that contracts do not match the tastes of potential clients, that the poor may already have ways of dealing with risks, liquidity constraints or contract non-performance.

Because of trust and deep knowledge of consumer needs, informal or mutual formal insurance can be preferred above formal insurance. However, there are limitations to mutual and informal insurance, for example in the case of epidemics and natural disasters.

Formal insurance can play a role by insuring non-diversifiable risk or even a reinsurer role for local insurance schemes.

Index insurance

There are several reasons why it can be interesting for researchers to look at index insurance:

Firstly, because it is difficult for insurance companies to measure individual cases and it can be a good idea to take an aggregate measure on the basis of which people are compensated.

Secondly, because it is complicated and fundamentally different from normal insurance.

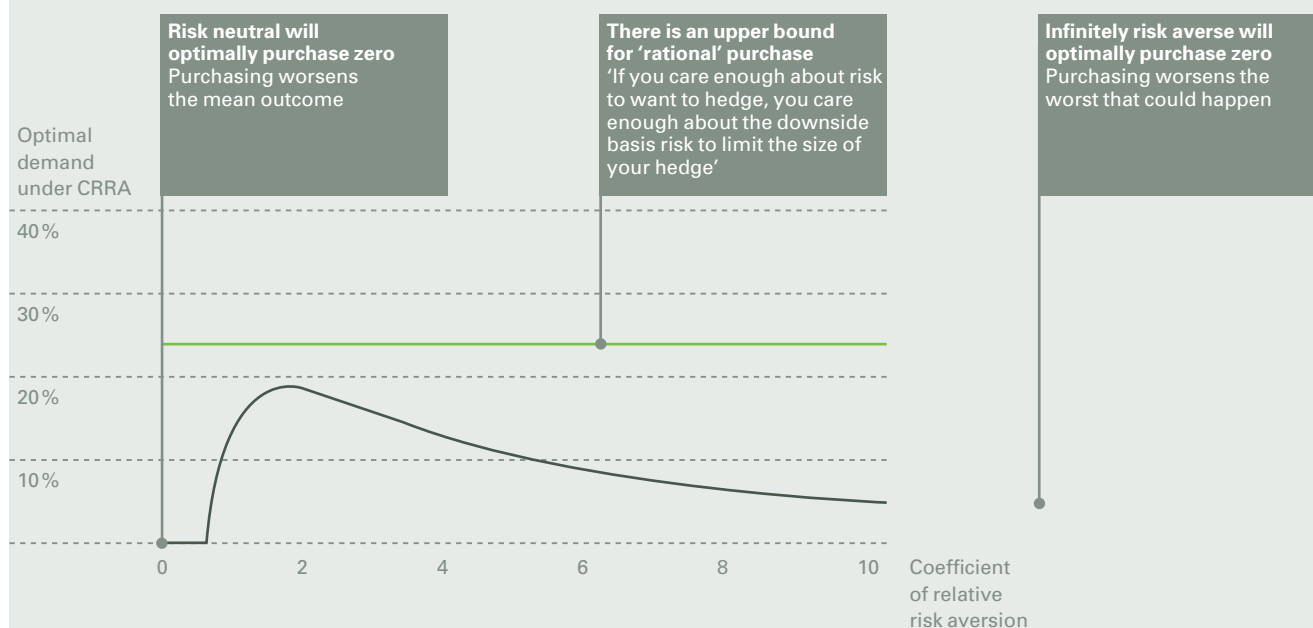
Thirdly, because it is potentially unsafe and there has probably been a lot of mis-selling to the poor who do not understand the product well enough.

Lastly, it is interesting for academics because the industry is only just starting to understand how to use indices in insurance.

The difference from normal (indemnity) insurance is that instead of getting a pay-out if something happens to a policyholder, there is a pay-out when something happens to something external which is hopefully linked to the policyholder.

Indemnity insurance reduces risk, but also reduces average return. Index insurance reduces risk when the hedge is successful, but when it is unsuccessful, it reduces the mean outcome. The size of the mismatch between what happens to the policyholder and what happens to the external measure depends on the correlation between the two.

Figure 2
Optimal demand of index insurance under constant relative risk aversion (CRRA) –
Who “should” buy unsubsidised indexed insurance?



Source: Clarke, Daniel. Presentation "Actuarial science, economics and the design of index insurance products".
8th International Microinsurance Conference 2012

Optimal demand under constant relative risk aversion shows that risk-neutral people do not buy insurance (see Figure 2). Infinitely risk-averse people will also not buy because purchasing worsens the worst that could happen: having a bad outcome and no pay-out. People who are more or less risk averse should buy most insurance.

In India, weather insurance is being sold to 11 million farmers a year. The correlation between the yield of farmers and claim payment is only 13%. This means that the basis risk, the risk of an unsuccessful hedge, is high. Actuaries would say that it is a bad product and therefore nobody should buy it. However, it seems people are buying this “bad insurance”.

An experiment has been conducted to look at insurance choices under known probabilities; the chance of having a bad or good outcome and the outcome of the weather station is known. The experiment is designed in such a way that one pays US\$ 1.20 to get US\$ 1. The result shows that two-thirds of people in the experiment chose too much insurance.

The question is whether people care enough about the risk to buy the insurance or care enough about the downside risk (having a bad harvest without pay-out) not to buy insurance. Of course the bad harvest can also be related to things other than bad weather, for example bad management. This should also be taken into account when looking at the basis risk. This is work in progress.

As an addition to using the weather as an index for pay-out, it is also possible to look at area yield, which reduces the basis risk. However, there are some downsides to using this, such as it taking more time. These two could be a good combination: the speed of the weather and the accuracy of the area yield.

Lessons learnt

- Experiments can help explain heterogeneous behaviour and heterogeneous impact of interventions, and can help explain demand for insurance.
- One cannot implement an ideal experiment.
- Risk attitudes can be explained by looking at the risk premium and this is composed of different elements which can help explain heterogeneity.
- Index insurance is interesting for academics, but a theory in some cases may not be upheld in an experiment, with a bad product producing a surprisingly high uptake.



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16 — Jimmy Martinez-Correa, Georgia State University, USA.

17 — Daniel Clarke, Oxford University, UK.

Agenda

Day 1 afternoon sessions 6 November 2012

Opening	Plenary 1
Welcome addresses	Round table – Opportunities and gaps of microinsurance market development in Africa
<p><u>Israel Kamuzora</u> Commissioner of Insurance, TIRA, Tanzania</p> <p><u>Thomas Loster</u> Chairman, Munich Re Foundation, Germany</p> <p>Keynote address Video message by <u>H.R.H. Princess Máxima of the Netherlands</u> United Nations Secretary- General's Special Advocate for Inclusive Finance for Development</p> <p><u>Craig Churchill</u> Chairman of the Microinsurance Network, ILO/Microinsurance Innovation Facility, Switzerland</p> <p><u>Hon. William Mgemwa</u> Minister of Finance of the United Republic of Tanzania</p> <p><u>Hon. Mohamed Gharib Bilal</u> Vice-President of the United Republic of Tanzania</p>	<p>Introductory presentation Results from the study "The landscape of micro- insurance in Africa 2012"</p> <p><u>Afua Boahemaa Donkor</u> Executive Director, Star Microinsurance Services, Ghana</p> <p><u>Winnie Njau-Mbugua</u> Head of Insurance Business, Equity Insurance Agency, Kenya</p> <p><u>Richard Leftley</u> CEO, MicroEnsure, UK</p> <p><u>Patrick Mommeja</u> Head of life-related insurance and microinsurance, Allianz Africa, France</p> <p><u>Kayembe Gilles Ilunga</u> Head of Trustco Mobile, Trustco Group International, Namibia</p> <p>Facilitator <u>Michael McCord</u> President, MicroInsurance Centre, USA</p>

Opening and welcome addresses

"Why Tanzania?" was a question in many delegates' minds as they headed to Dar es Salaam for the 8th International Microinsurance Conference to be held 6–8 November 2012. The country in East Africa had thus far not figured prominently on the global microinsurance map.

When mainland Tanganyika and off-coast Zanzibar came together in 1964, lending their names' first syllables to the new name of the union, Tanzania had half of its people living below the poverty line and a third in abject poverty. Most development agencies today regard these levels as having changed only marginally since then. But this huge challenge of alleviating poverty also holds an enormous potential for microinsurance and, as the conference got underway, participants soon sensed that Tanzania now is well on its way to realising that potential.

The government is focused on microinsurance as a key tool in achieving its national development Vision 2025 and the Strategy for Growth and Poverty Alleviation MKUKUTA. The country's insurance market has been growing at around 20% annually, at a rate roughly three times its GDP – in itself no mean feat over the past few years of the global financial crisis.

"This conference represents an important milestone in the life of Tanzanian insurance industry as it coincides with the launching of our country's access to insurance diagnostic study report."

Israel Kamuzora,
Commissioner of Insurance, TIRA

Tanzania's progress in achieving some of the Millennium Development Goals may be due in part to stable political leadership which over the years has helped it avoid conflicts plaguing a number of neighbouring countries. It has lived up to the name of its largest city and capital until 1974: Dar es Salaam, in Persian-Arabic "home of peace." Its nearly 43 million inhabitants consist of some 120 ethnic groups – including around 70,000 Arabs, 55,000 South Asians and 10,000 Europeans. About 75% of the GDP is generated by agriculture and the population is more than 80% rural.

The nearly 600 conference participants came from 60 countries, representing the insurance industry, donor organisations, policymakers and regulators, academics and consultants. About 33% were from the private sector – a sign of its increasing involvement – and 60% were from Africa.

The conference agenda addressed topics fundamental to providing good-value products to low-income people – such as how to create and maintain trust. The conference had an academic track – already a trademark of this largest international platform for exchange of microinsurance knowledge and experience – along with themes dealing with product development and sustainability (specifically agriculture and health), illustrated by case studies and even by the analysis of failures. Other topics of relevance were consumer protection, pricing, and an actuarial toolkit designed for microinsurers.

"In the use of cell phones for financial transactions, East Africa is certainly Number One, and the so-called First World can by comparison be seen as the Third World of mobile finance."

Thomas Loster,
Chairman, Munich Re Foundation



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18 — Israel Kamuzora,
Commissioner of Insurance,
TIRA, Tanzania.

19 — Thomas Loster, Chairman,
Munich Re Foundation,
Germany.

Opening and welcome addresses

Thomas Loster, Chairman of the Munich Re Foundation, welcomed participants and said that, with this event, the foundation is aiming at helping to develop microinsurance “not only in Tanzania but in the entire region.” East Africa, he added, is among the most interesting regions in the world for many reasons, among them the prevalence of microfinance and the growing acceptance of microinsurance, as well as financial services inclusion spurred by mobile technology for payments and other transactions. “Indeed, in this respect the region is certainly Number One and the so-called First World – including Germany and the USA – can by comparison be seen as the Third World of mobile finance.”

Referring to the latest study of “The landscape of microinsurance in Africa”, he said that despite a rapid growth of nearly 200% in the last three years, the market penetration is still very low. “However, the future looks promising given the commitment and support of various governments through their regulatory agencies.”

At the global level, Mr. Loster said, a long-term partnership that has worked well is between the Foundation and the Microinsurance Network, which has just published the “Memory Book” to mark its tenth anniversary.

Craig Churchill, Chairman of the Microinsurance Network, recalled in his welcoming remarks that when 16 people met in Geneva in 2002 to start studying microinsurance, it was hard to imagine that ten years later, “hundreds of thousands and in some cases millions” of low-income households would be provided with microinsurance. From an initial estimate of 78 million persons covered in 2006, the number had grown to half a billion in 2011, according to landscape studies conducted by the Microinsurance Centre. For the founding group it was also difficult to envision that ten years later the Network’s membership would include more than 200 persons, many from developing countries.

The evolution of the industry in many ways parallels the evolution of the Network, Mr. Churchill added. A case in point is the engagement with the International Association of Insurance Supervisors (IAIS) to identify obstacles and promote sound and conducive regulations, supervision and policies. Besides working in many countries to implement diagnostics and help them introduce suitable regulation, the Network and IAIS have published an applications paper to provide guidance to supervisors on creating more enabling environments for microinsurance. “This paper is a major accomplishment, positioning the IAIS as the leader among the global standard-setting bodies in the pursuit of financial inclusion.”

“The initial emphasis in microinsurance was on quantity to reach scale; now the discussion should shift from quantity to quality.”

Craig Churchill,
Chairman, Microinsurance Network

Mr. Churchill also highlighted the development and promotion of the key performance indicators (KPIs) that enable monitoring of microinsurance operations by providers. Consumer protection is another area in which the Network has been deeply involved to help providers build trust among low-income customers, and at the same time keep premiums low by controlling costs. He also mentioned a number of important publications that the Network has helped develop, the latest of which is Volume II of the Microinsurance Compendium.

He pointed out that despite the growth seen in Africa and elsewhere, it is not sufficient to cultivate a demand for insurance or to enable the poor to manage risks. Most products in the market are basic ones with limited benefits. “In order for the poor to appreciate insurance, and see it as an important component of their risk management toolkit, we need to push the evolution of products so they provide real client value.”



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20 — Hon. William Mgemwa,
Minister of Finance of
the United Republic of Tanzania.

21 — Craig Churchill,
Microinsurance Network
ILO/Microinsurance Innovation
Facility, Switzerland.

Mr. Churchill said that the initial emphasis was on quantity to reach scale; now the discussion should shift from quantity to quality. "The rationale for this new tune is not just to achieve social objectives, but also to build a viable market, where there is a demand for and supply of services. We need to cultivate the demand by demonstrating to the working poor that insurance does indeed satisfy a critical need. That is our next challenge."

Hon. William Mgimwa, Minister of Finance of Tanzania, outlined the importance of the conference for Tanzania and indeed for the whole of the developing world, as the key issues to be addressed by the conference deal with the challenges that the poor face daily along with the challenges the governments face in order to make microinsurance work effectively. "The Government of Tanzania is committed to taking all necessary steps to support the growth of the microinsurance sector."

In his view, the challenge for the conference participants is tackling some key issues:

1. How to change the corporate strategy of insurers and other financial institutions so that they take the responsibility for extending services to the less privileged.
2. How to encourage insurance for the low-income population and how to do it efficiently.
3. How to strengthen microinsurance so it is sustainable and has a potential to grow as a business.
4. How to align microinsurance schemes professionally so they can compete effectively.
5. How to redeploy successful models of some countries (for example, India) elsewhere to achieve economies of scale and make the business profitable.

Hon. Mohamed Gharib Bilal, Vice-President of Tanzania, said that the global financial crisis has shown that developments in leading economies such as the USA and EU will affect low-income families in the Third World. "Down the line there will be declining investment and financial flows to support government intervention addressing pressing local social and development issues. There is a need for policymakers to work in coordination with other stakeholders to explore other means of serving the low-income population."

A pressing need, he added, is to know whether subsidies implicit in many of the microinsurance schemes are effectively reaching the low-income people, specifically poor families in rural areas. "Special efforts are required to reach the poor because they cannot afford services directly nor can they afford to pay for normal insurance premiums from formal commercial insurers. This indeed is what this conference is all about."

The Vice-President acknowledged that while microinsurance alone is not enough to protect the poor from risks they face – including natural disasters and weather catastrophes – it nevertheless has a critical role in complementing formal insurance schemes and government programmes like the social protection system.

The Vice-President expected the conference to achieve implementable solutions to challenges to the poor, ways in which delivery channels can be improved and complement one another to extend outreach, and ways that existing schemes can and should be strengthened to protect consumers.



22 — Hon. Mohamed Gharib Bilal, Vice-President of the United Republic of Tanzania.

Keynote address

H.R.H. Princess Máxima
of the Netherlands,
UN Secretary-General's Special
Advocate for Inclusive Finance
for Development

Good afternoon, Excellencies,
Ladies and Gentlemen,

I am so pleased that technology is permitting me to join you. I had the honour of visiting Tanzania two years ago. Tanzania's efforts are a good reflection of the sky-rocketing journey that financial inclusion has made. A few years ago, most people were discussing only microcredit. I would get a lot of questions when I talked about the need for savings accounts or enterprise finance, financial education or basic insurance.

The situation is very different today. We see more policies, technologies and partnerships that are putting financial products at the service of poor communities. The difference this has made to lives and livelihoods is real. It is particularly thrilling that so much innovation is originating in developing countries.

We are also seeing more attention among global standard setters. I would like to recognise the International Association of Insurance Supervisors for its efforts, including the recent application paper on inclusive insurance markets.

A global milestone was reached in June. At the G20 Leaders Summit, 17 countries committed to creating a coordination platform and a national strategy as part of the G20 Financial Inclusion Peer Learning Program. In doing so, countries including Tanzania, South Africa, Brazil, Mexico, Indonesia and Nigeria put financial inclusion at the heart of their economic and national development. So, this all to say that we are well underway in our efforts to make financial inclusion a reality.

Financial inclusion recognises that the impact of unexpected shocks can be devastating. In fact, about 100 million people around the world fall into poverty every year due to health expenses. And this is where microinsurance has so much potential.

The good news is that more and more insurance is reaching low-income populations and businesses. In 2011, there were almost half a billion insured risks globally. I am pleased to note the growth of microinsurance in Tanzania and other African countries. I know that subsequent presentations will expand on this. We have also seen many more kinds of products developed that protect people against floods, fire, funeral costs and other shocks.

Like us, most poor people use several or even a dozen financial products to meet their needs. I think it is very good that pilots are investigating which combinations of financial products are best for specific goals. For example, one company in Indonesia is testing a product that encourages families to save for their children's education. It provides life and hospital insurance as a benefit to protect these weekly contributions. In Africa, pilots suggest that having crop insurance makes farmers more able to get formal loans, as it reduces the risks. We think it can also reduce the cost of finance. And in India, insurance is helping farmers to shift to riskier but more profitable crops, and to invest more in them. Other efforts are seeing how the private sector can contribute to public policy objectives through insurance – such as development of universal health coverage. Ghana and Rwanda are good examples of this.

For all the good news, microinsurance still faces challenges. Significant growth remains concentrated in a limited number of countries and concentrated in a few products, like credit life and life insurance. Where there are new products, uptake can be limited or costs high. As a result, some pilots struggle to reach scale and sustainability. And in a few markets in Africa, health insurance coverage even seems to be slipping. Why is this?

In my work on financial inclusion, I have realised that three issues are especially important: client demand, impact and trust. Only when we truly understand demand will we design products that have the right features, the right prices, and the proper delivery mechanisms.



23 — H.R.H. Princess Máxima,
UN Secretary-General's Special
Advocate for Inclusive Finance
for Development.

When products are valued by clients, they will be used. And product use leads to expansion and scale.

I find it useful to remind myself that demand and impact are not the same. Some things that are not in demand can have big impact. Such as preventative healthcare. It is one reason why countries like Brazil, Colombia and Mexico are making cash transfers to poor households conditional on visiting health clinics. Conversely, there are insurance products that are in demand, but have little social-welfare impact, such as cover for loss of mobile phones.

Moreover, there will be no demand if clients do not trust the products and companies. Proliferation of weak microinsurance institutions can also undermine overall confidence in insurance. There is a Dutch saying: Trust arrives on foot, but leaves on horseback. So, it is very important that microinsurance delivers real value and grows carefully, especially in countries where the sector is new or there is lack of confidence in other financial providers. Policies such as transparency and consumer protection can and should be considered. But it is the responsibility of providers to build trust.

The need now is to move from pilots to scale. This will not happen by addressing microinsurance in isolation. It requires that policy makers and providers in insurance and social protection work with each other and also coordinate closely with stakeholders in agriculture, environment, health, communications, and financial services. In most circumstances, insurance business models benefit from a basic level of financial infrastructure and customer access. For example, small, regular premium payments are more convenient to poor people. And clients need to receive benefits very quickly in times of distress so as to prevent costly borrowing or doing without. Electronic payment systems, mobile money and agent banking are making this possible – and affordable.

We therefore have to build on the foundation of financial inclusion to achieve the potential synergies. I especially encourage the integration of microinsurance targets and metrics into national strategic planning processes for financial inclusion. This will facilitate constructive dialogue on how insurance can flourish and support national goals. And, it is a timely way to identify concrete steps to strengthen the enabling environment and regulations for microinsurance – and for the private sector to build partnerships with other stakeholders.

I often say that there is no good policy without data. Data on microinsurance is expanding, but is still often limited. Thus, I urge you to integrate data collection plans into your work, public policies and national action plans. Even in countries where the priority is on building basic access to financial systems, data collection efforts can begin now as they will take time. This will also give providers the necessary actuarial data to design good products when the broader environment is ready.

In closing, I would like to congratulate the Microinsurance Network and the Munich Re Foundation for this annual event. And of course the Network on its tenth anniversary. The last few years have been an important learning process. Even more knowledge, practical analysis, and research will be the basis on which we can make a difference going forward. In all these areas, I encourage you to approach microinsurance in a broader context of how people live their lives, what other financial products they use, and local development priorities. Partner and coordinate even more widely – and join national financial inclusion processes. This will help to achieve real benefit and protection for clients against risks. And this, Ladies and Gentlemen, is the ultimate purpose of microinsurance.

I wish you productive conversations and good success.

Thank you.

Source: <http://www.koninklijkhuis.nl/globale-paginas/taalrubrieken/english/speeches/speeches-archive/>

Plenary 1

Round table – Opportunities and gaps of microinsurance market development in Africa

This round table explored expanding microinsurance beyond the 44 million clients currently identified as accessing microinsurance in Africa.

Discussion began with the results of the study “The landscape of micro-insurance in Africa 2012”, conducted by the Microinsurance Centre.

The study investigates the reach of microinsurance in Africa. The data given is aggregate because it was necessary to promise insurers confidentiality.

The study identified 44.4 million people covered by microinsurance across Africa, the vast majority by life insurance of some kind.

Earlier landscape studies had found that in 2005 only 3.5 million lives were covered. In 2008 the number had already increased to 14.7 million.

However, this still only represents about 4.5% of the population of Africa. If South Africa’s results are excluded, only about 1.75% of Africa is covered.

Nine countries have more than one million microinsurance clients each, but the vast majority of countries have a penetration rate of less than 1% (notable exceptions are South Africa and Namibia).

- Growth has been driven by
- greater involvement of the commercial sector;
 - technology, particularly telecommunications (of the nine counties identified as covering more than one million people each, four have significant numbers of customers serviced through mobile technology);
 - donor involvement;
 - regulatory changes allowing new organisations to become involved.

It is encouraging to see a wide array of delivery channels, as this will be vital for microinsurance to go beyond microfinance institutions (MFIs) in Africa. Moving forward, it will be very important to think about expansion in terms of product types as well as numbers.

Organisations represented at the round table included:

Trustco, Namibia. Trustco’s core business is microinsurance and micro-finance for education. The fact that Namibia is a large place with a small population presents a major challenge. Distribution is therefore the key.

Equity, Kenya. Equity has focused on microinsurance for the last four years, starting with credit life to secure the livelihoods of those taking loans through banks. Now Equity also has health and embedded products, among them funeral and business insurance.

Star Micro, Ghana. Star began its microinsurance service by distributing voluntary products at markets, but to reach scale it has engaged in partnerships with telephone companies and other groups, allowing it to grow to 800,000 clients.

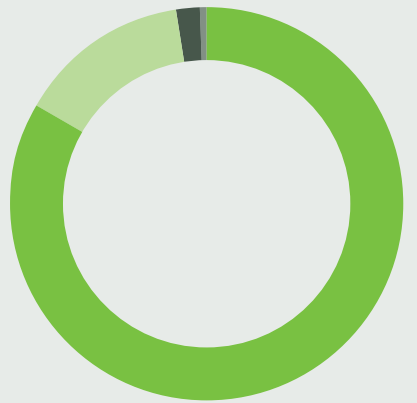
MicroEnsure, UK. MicroEnsure has been working in Africa for ten years, and has more than 2.5 million active clients on the continent. It has achieved rapid growth by re-evaluating its approach to partners, putting insurance out in front of its partners’ core products.

Allianz Africa, France. Allianz Africa started microinsurance from scratch in 2008. It began in Egypt, then expanded into western and central Africa, and now has 220,000 insured clients.

24 — Left to right:
Patrick Mommeja, Allianz Africa, France; Richard Leftley, Micro-Ensure, UK; Winnie Njau-Mbugua, Equity Insurance Agency, Kenya; Afua Boahemaa Donkor, Star Microinsurance Services, Ghana; and Kayembe Gilles Ilunga, Trustco Group International, Namibia.



Figure 3
Microinsurance coverage in Africa 2012 (based on 2011 yearend data):
Proportion insureds



Insureds in programme	
> 1000,000	83.6%
100,000 – 1000,000	14.1%
50,000 – 100,000	1.8%
0 – 50,000	0.5%

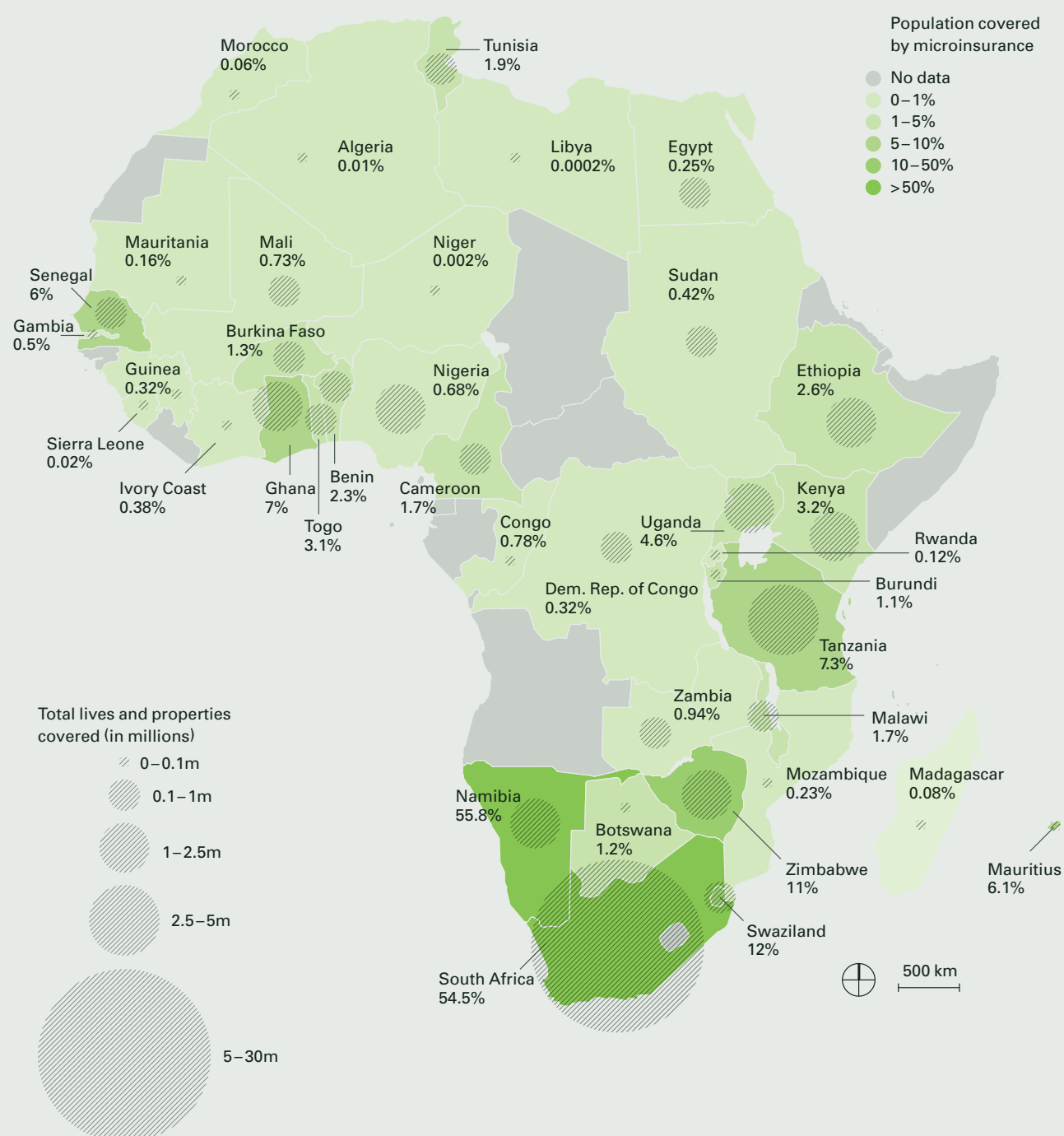
97.7 % from above 100,000
0.1 % under 10,000

Source: McCord, Michael J. Presentation
“The landscape of microinsurance in Africa 2012”.
8th International Microinsurance Conference 2012

Figure 4

Microinsurance coverage in Africa**Total lives/properties covered in 2011: 44.4 million**

A study on the development of microinsurance in Africa was presented at the conference ("The landscape of microinsurance in Africa 2012"). South Africa, Tanzania and Ghana take the pole positions; most of the insurance policies are held in these countries. However, market penetration is still low in many countries on the continent.



Round table – Opportunities and gaps of microinsurance market development in Africa

Distribution is a significant challenge for all providers. Many different solutions have been experimented with, such as introducing compulsory products, using mobile money and telephone companies, approaching alternative banks, and connecting with money transfers, like remittances.

Even where the distribution channel is part of the same institution, there are often real challenges to achieving internal buy-in. For example, Equity found that constant education was required to ensure that those distributing the product have a good understanding of it.

Generating positive experiences is vital to success. MicroEnsure has found that despite its extensive consumer education activities, the best education proved to be getting an extremely simple product, preferably for free, into the hands of poor people. Once they have experienced the product and see others in their community benefiting from it, it is much easier to persuade them to voluntarily buy insurance.

Mobile technology offers the prospect of reaching scale, as even people living below the poverty line have mobile phones. Telephone companies are willing to offer access to their distribution channels, if they see that insurance benefits increase customer loyalty. Mobile microinsurance may even be a solution for more complex products. For example, Allianz Africa is currently preparing to launch a mobile health microinsurance pilot in Cameroon, where premium payments will be made by migrants.

There are concerns about the extent to which such mass market microinsurance can be socially driven, and that it may be moving away from the low-income market. However, serving both the mass and low-income markets may help insurers to reach scale and become viable.

Distribution of services provided by insurance is also problematic. Equity found that for its motorbike insurance, one of biggest difficulties was getting quality service providers in rural areas, and therefore trained repair people in villages.

For many organisations, the relationship with the **regulator** is crucial, and sometimes more important than the actual regulation. It is important to work with regulators from the outset, as they can provide valuable feedback and help find workable solutions.

Lessons learnt

- Microinsurance has grown significantly, but there is still a long way to go.
- Distribution will be the key to dramatically increasing the number of people served by microinsurance.
- Technology may provide a solution, but the drive to access the mass market should be balanced with the social mission of microinsurance.
- A provider's working relationship with the regulator is very important for effectively introducing new microinsurance products in Africa.

The aggregated data from the study "The landscape of microinsurance in Africa 2012" can be explored through an interactive map at www.microinsurancelandscape.org



25 — Facilitator:
Michael McCord, Micro-
Insurance Centre, USA.

Agenda

Day 2 morning sessions 7 November 2012

Parallel session 1	Parallel session 2	Parallel session 3
Failures in microinsurance	Strengthening training institutions	Health
<p><u>Agnes Nyondo Chakonta</u> CEO, Madison Life Insurance, Zambia Lessons learnt from failures in microinsurance</p> <p><u>Richard Leftley</u> CEO, MicroEnsure, UK Ten years of trial and error: Lessons from MicroEnsure</p> <p><u>Lucas Greyling</u> Independent microinsurance consultant and former director of Microcare, Lucas Greyling Consulting CC, South Africa Microcare Uganda – The perfect storm</p> <p>Facilitator <u>Thierry van Bastelaer</u> Principal Associate, Abt Associates, USA</p>	<p><u>Antonis Malagardis</u> Program Manager, GIZ, Philippines</p> <p><u>Yoseph Aseffa</u> CTA, ILO, Ethiopia</p> <p><u>Mary Yang</u> Capacity-Building Officer, ILO/Microinsurance Innovation Facility, Switzerland</p> <p>Facilitator <u>Gaby Ramm</u> Consultant, Germany</p>	<p><u>Sapna Desai</u> SEWA, India Is there health in health insurance? The case of VimoSEWA</p> <p><u>Marielle Goursat</u> Technical Assistant to Ministry of Health – Lao PDR on CBHI, GRET, Lao PDR Linking social assistance programmes to microinsurance: The experience of the SKY health insurance scheme</p> <p><u>Barbara Magnoni</u> Client Value Project Manager, MILK Project – MicroInsurance Centre, USA How understanding patients' financial strategies for coping with health shocks can inform health insurance design in both subsidised and non-subsidised programmes</p> <p>Facilitator <u>Denis Garand</u> President, Denis Garand and Associates, Canada</p>
Parallel session 4	Plenary 2	
Academic track – Agricultural insurance	Is mutuality the missing link in microinsurance?	
<p><u>Geoffrey R. McCarney</u> PhD Student in Sustainable Development, Columbia University, USA Evidence of demand for index insurance: Experimental games and commercial transactions in Ethiopia</p> <p><u>Stephan Dietrich</u> PhD Student, University of Göttingen, Germany Impact of weather insurances on small-scale farmers: A natural experiment</p> <p>Facilitator <u>Elisabet Rutstrom</u> Director – Dean's Behavioral Economics Laboratory, Georgia State University, USA</p>	<p><u>Nelson Kuria</u> CEO, CIC, Kenya</p> <p><u>May Dawat</u> General Manager, CARD MBA, Philippines</p> <p><u>Kumar Shailabh</u> General Manager, Uplift Mutuals, India</p> <p>Facilitator <u>Doubell Chamberlain</u> Managing Director, Cenfri, South Africa</p>	

Parallel session 1

Failures in microinsurance

As microinsurance comes of age, the big stakeholder community is looking more and more into lessons learnt so far, particularly from what has fallen short of expectations.

Like the aviation industry in its fledgling years, microinsurance needs to focus on extracting “the good from the bad,” to build on elements of energised attempts and great innovations that ran aground but have the potential of taking off if remodelled.

Against this backdrop, the session covered the stories of three ventures – misaligned partnerships? – that eventually came to nought.

Microcare’s perfect storm

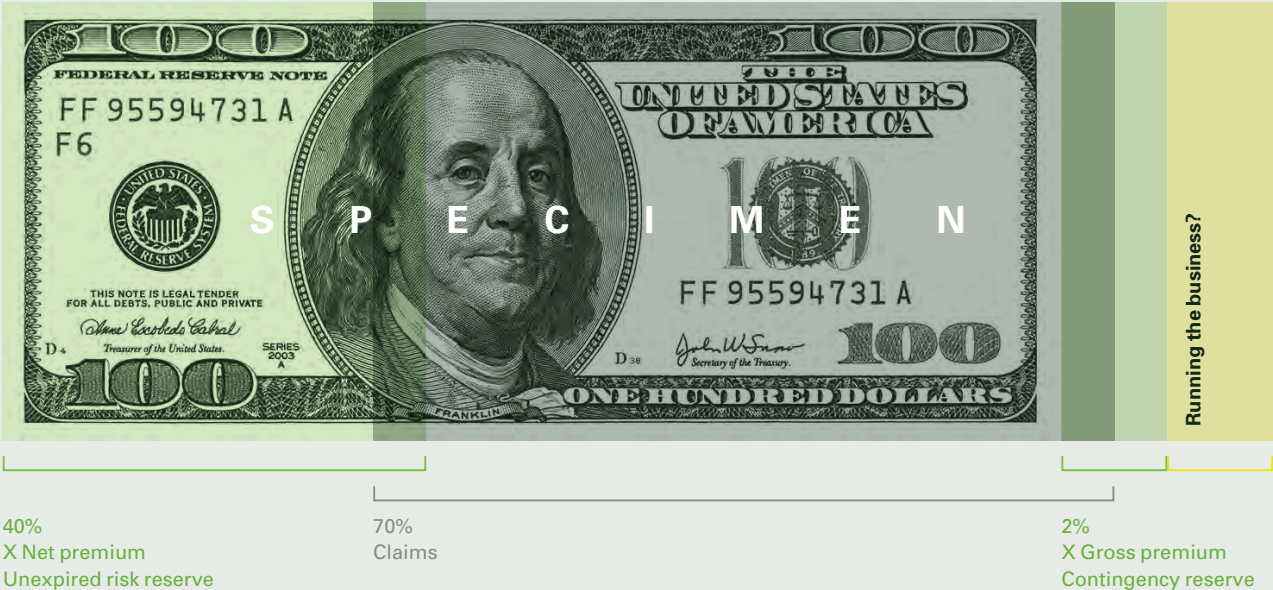
This case can be summarised as the confluence of negative and unpredictable factors with some unintended mistakes.

Indeed, as the companies (a health company and an insurance company) started to grow fast (133% per year from 2006 until 2008) while filling the gap of a large proportion of low-income people without health insurance, competitors and regulators started to shift their attention to Microcare. For many, those good numbers were just not plausible. Many others wanted to receive the magical advantages they thought Microcare was getting.

This curiosity, lack of trust, questionable perceptions, and lack of knowledge of microinsurance, generated a number of problems:

- Conflicts with the regulatory authorities
- Lack of understanding of health insurance claims administration by reinsurers and regulators
- Difficulties managing the network of medical providers
- Media speculations as a consequence of court actions

Figure 5
Premium allocation of Microcare Uganda



Source: Greyling, Lucas. Presentation “Microcare Uganda – The perfect storm”.
8th International Microinsurance Conference 2012

Moreover, the legal environment was not conducive: there were inappropriate reserves requirements for health microinsurance, creating a conflicting situation between meeting the solvency requirements and quickly growing the business to scale, while continuing to meet claim costs. Finally, the lack of an effective dispute resolution mechanism affected the company and implied many months at court.

Madison Life: The funeral of high expectations

After having successfully launched credit life microinsurance working with local MFIs in Zambia, Madison decided to offer funeral insurance. It partnered insurance-tied agents that were also selling coffins and burial services, more or less like a loyalty programme. The hypothesis was that a bundled product offering all these new services would have great success as a stand-alone product. A high take-up was expected.

But that was not to be. Zambia is a country where 64% of the population is poor, the mortality rate is high, microinsurance is not widely known and where the poor use social services run by their own communities. The product was expensive and hardly understood by clients, who preferred their trusted informal protection schemes. The potential clients did not show any interest and volume was never achieved. Madison became dependent on the agent who in the end, given the cost structure, decided to give up the product.

Lessons from Madison Life

- Achieve clients' trust from the start.
- It is very important to understand the culture and environment.
- The financial education of clients, agents, and staff of MFIs is key.
- The products need to have a strong value proposition while remaining simple.
- The distribution channel should be a strong and capable aggregator with technical and operative capacity to collect premiums and settle claims at a low cost.
- Try and try again to obtain those large numbers that make insurance possible.

26 — Left to right:
Richard Leftley, MicroEnsure,
UK; Lucas Greyling, Lucas
Greyling Consulting CC, South
Africa; Agnes Nyondo Chakonta,
Madison Life Insurance, Zambia.

27 — Facilitator:
Thierry van Bastelaer, Abt
Associates, USA.



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Parallel session 1

Failures in microinsurance

How MicroEnsure reinvented itself

Starting from scratch, even with important resources from donors, and with many dreams can be very tricky – even more so if the new venture is related to microinsurance and a new paradigm of how to do business.

From its inception in 2008 until early 2010, MicroEnsure struggled to serve around 600,000 clients. The many partnerships and new countries served had yet to yield results on the bottom line. There was no real growth. What was clear was that adequately serving new countries and partners overtaxed the company's technical and human capacity.

One example of the staggering activities and challenges MicroEnsure was facing was the roll-out of a cash-less in-patient health microinsurance programme in India. The programme involved a large MFI and a TPA. The initial distribution partner failed to ramp up. So MicroEnsure started working with smaller MFIs that were not able to generate economies of scale, and finally partnered with district cooperative banks until India's government health insurance programme for below-poverty-line families, the Rashtriya Swasthya Bima Yojna (RSBY), started its operations.

A general view of the economics of the value chain involved (see Table 2) illustrates this case¹:

It is clear that when the claims ratio is around 60%, the insurer will see some net margin. However, this ratio oscillated between 25% and 300%, making it difficult for the insurance company to set an appropriate risk premium.

The TPA also shows a negative margin. It has to be noted that when the TPAs work with corporate accounts or standard group policies, they can obtain a net margin of around 2%.

Last but not least, for MicroEnsure to maintain this product, with a level of fixed costs around US\$ 650,000, it would have been necessary to have five million outstanding policies.

This situation generated a realignment of its strategy design by McKinsey. The results of this new strategy are positive.

¹

The data in this example is not exact, but is representative of reality.

Lessons from MicroEnsure

- Do not make partnerships without having first aligned all the needs and incentives. Do not assume that all the partners know exactly what they need.
- Stay focused.
- When you see it is not working, know when to stop.

Table 2
Economics across the value chain

US\$	Client US\$	Insurer %	TPA US\$	TPA %	MFI US\$	Micro-Ensure US\$
Premium	10.00	80.00 %			1	1
Claims		–60.00 %				
Marketing and Acquisition Costs		–4.00 %				
Fee to TPA		–6.00 %	0.60	100.00 %		
Other overhead costs		–3.50 %				
Card printing			0.34	56.25 %		
Administration and other direct costs			0.64	106.25 %		
Indirect costs			0.30	50.00 %		
Enrollment costs – data entry						0.06
Enrollment costs = courier						0.05
Enrollment costs – rework						0.01
Policy servicing						0.75
Contribution margin						0.13
Margin		6.50 %	(0.68)	–112.50 %	10.00	
MEs fixed costs						650,000
Policies to break-even						5,000,000

Source: Leftley, Richard. Presentation "Economics across the value chain for health insurance". 8th International Microinsurance Conference 2012

Parallel session 2

Strengthening training institutions

Although microinsurance is constantly growing, providers struggle to overcome challenges of providing high value to the low-income market, scaling up and achieving sustainability. As new knowledge and lessons emerge, effective dissemination of this information becomes critical.

Capacity development is one component of strengthening the availability of microinsurance services and reducing the likelihood of providers damaging the reputation of insurance in low-income markets. Time and again, discussions with microinsurance stakeholders reveal the lack of an accessible training infrastructure and suitable materials.

Accordingly, this session provided an overview of microinsurance capacity building, and discussed strategies for enabling local service providers to conduct microinsurance training programmes. It highlighted their role and illustrated experiences of selected training institutions. Without effective and efficient training initiatives, scaling up is not possible for providers.

Access to high-quality training materials

Despite the existence of training tools, many microinsurance providers lack access to high-standard materials. Responding to this need, the MIN Capacity-Building Working Group (CBWG) established a microinsurance "tool inventory" on the MIN website where training tools can be downloaded and new tools uploaded. The tools allow local institutions to adapt them to best suit their training needs. It saves resources for developing new tools which may already be available and facilitates the sharing of information with ease.

As these tools do not yet cover all topics needed for operating microinsurance, plans are to develop a comprehensive microinsurance curriculum which will consist of the most important capacity-building aspects of the microinsurance value chain at micro, meso and macro levels (see Table 3).



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29

28 — Mary Yang,
ILO/Microinsurance Innovation
Facility, Switzerland.

29 — Yoseph Aseffa, ILO,
Ethiopia.



30



31

30 — Antonis Malagardis,
GIZ, Philippines.

31 — Gaby Ramm,
Consultant, Germany.

Parallel session 2
Strengthening training
institutions

The need for local training
institutions (service providers)

Local service providers are crucial for the availability of products and services of high client value. They work with all types of microinsurance stakeholders and are physically present in the local environments where microinsurance needs to grow. Since training programmes must be accessible, affordable and adapted to the needs and realities of course participants, local service providers constitute the most strategic channel for delivering training programmes that seek to achieve large-scale results quickly and with quality.

However, to date the few existing local training institutions are not in a position to effectively address the microinsurance needs of the multiple actors. In the near future significant efforts are required to equip existing service providers to undertake these tasks.

The conference session provided examples of organisations addressing the need for capacity building among various industry stakeholders using diverse methodologies. Three of these, the Microinsurance Research Centre, Cenfri, and the Institute for Microfinance, participated in a round table discussion, providing insights into their approaches, the challenges they have faced in their capacity-building experiences, and steps taken to overcome those.

The Microinsurance Research Centre is the first organisation of its kind in the Philippines. The centre’s focus is on promoting microinsurance, advocacy, financial literacy through partner universities and community extension offices. The curriculum is accredited and licensed by the Insurance Commission of the Philippines.

Microinsurance is still in its earliest stages in the region where the centre operates, so the primary focus of the capacity-building training currently offered is advocacy and client education. The centre has had great success in promoting microinsurance and the importance of public-private partnerships. However, the infancy of the market has proven to be a challenge, as participants often are interested in microinsurance schemes which have not been developed yet.

South Africa-based **Cenfri** employs an open training programme as one tool within a capacity-building suite to disseminate information and stimulate innovative thinking. Cenfri develops training material with the objective of getting the most important research and knowledge into the hands of market participants and regulatory and/or supervisory authorities that can use it best.

By leveraging the infrastructure and accreditation that university partnerships provide, Cenfri can build university capacity for delivering microinsurance training and offer executive-education style training both domestically and abroad. The training programmes are attended primarily by commercial insurers who, in general, already possess technical skills but have limited experience in low-income markets. To address this capacity gap, Cenfri has officially partnered with the ILO to present tools and share case studies and research for participants entering the microinsurance or low-income space.

Table 3
Capacity-building needs

Micro-level	(Potential) customers: understand & use suitable risk management tools	e.g. awareness building, financial/insurance literacy
	MI providers & delivery channels: provide valuable products & services	e.g. MI business planning, market demand, product development, MI operations, M&E
Meso-level	TA providers: improve knowledge, skills & attitudes of practitioners	e.g. microinsurance tools & materials, ToTs
	Other contributors: insurance associations, reinsurers, federations, TPAs, technology firms	promote MI market, support MI practises, e.g. data consolidation, technology solutions
	Donors	e.g. support projects & capacity development, monitor client value, facilitate multi-stakeholder dialogue
Macro-level	Policy makers	e.g. integrate microinsurance into social protection and other policies, harmonising sector policies
	Regulators and supervisors	e.g., create a conducive legal framework that supports microinsurance and consumer protection

Source: Ramm, Gaby. Presentation “Strengthening training institutions”.
8th International Microinsurance Conference 2012

The Institute for Microfinance (InM)

was launched in 2006 as a non-profit independent entity to meet research and training needs of national as well as global microfinance institutions (MFIs) and to engage in broader poverty reduction programmes.

Microinsurance has emerged as a flagship research programme of the institute, which entails, among other objectives, development and implementation of (a) microinsurance products (health, climate, and composite insurance products) suitable for the local environment, and (b) effective training, curriculum and awareness programmes/courses/events targeted at all stakeholders.

Until recently, in much of Bangladesh, the poor have had zero exposure to insurance, and the few clients who had typically purchased low-value life products from commercial insurers feel they were taken advantage of.

InM has begun developing training material to cater to diverse groups of stakeholders (e.g., from hospital doctors, nurses and administrators and different levels of MFI staff to the insured beneficiaries) in an attempt to begin establishing an insurance culture. The training material takes into special consideration factors such as client age, level of education and gender.

While the panel addressed many of the challenges facing training institutions in different regions, it also affirmed that the same critical issues are emerging across the sector and they can be dealt with through collaboration. It concluded that the future of microinsurance is promising and capacity-building institutions will continue to play a vital role in community education and empowerment.

Lessons learnt

- Sharing is better than spending scarce resources on developing materials which may already be available: the MIN CBWG's online microinsurance "tool inventory" links new local knowledge with industry best practices available to the public.
- Structured training is just one capacity-building mechanism. To be effective, it needs to be linked to other capacity-building initiatives that reinforce newly acquired skills and knowledge.
- A successful microinsurance training programme requires good content and good delivery applied in a way that strengthens microinsurance services and increases access to insurance.
- As microinsurance continues to grow, the number of local training institutions needs to be increased to meet the capacity-building demand of multiple microinsurance actors.
- Contents and methodologies of local training institutions have to be adapted to suit their core clients, reflecting the diversity of stakeholders.

For more information on capacity-building tools, see www.microinsurancenetwork.org/capacitybuildingtoolsinventory/index.php

Parallel session 3

Health

Different insurance schemes were presented in this session. And an innovative way of doing research was introduced that can help explain more about the way insured and uninsured people deal with health shocks.

Linking social assistance to microinsurance

In Cambodia, there is a private voluntary community-based health insurance (CBHI) scheme known as SKY. It works through a public mandate and associated public funding, and was created by the Groupe de Recherche et d'Echanges Technologiques (GRET), a French NGO. SKY is linked to a public social assistance programme, Health Equity Funds (HEF), which identifies the poor and provides financial and social support to ensure that they can better access government health services.

SKY has been active since 1998 and targets the rural poor and near-poor. The objectives are to protect its members from the risk of catastrophic medical expenditures and to ensure equity and solidarity within the health system and the social health protection system. The insured pay a single premium for all members of the family and receive free care in public health facilities.

SKY

(Insurance for our Families)

Number of people insured

70,000

Insured risks

Health and funeral expenses

Premium range

US\$ 4 for rural –

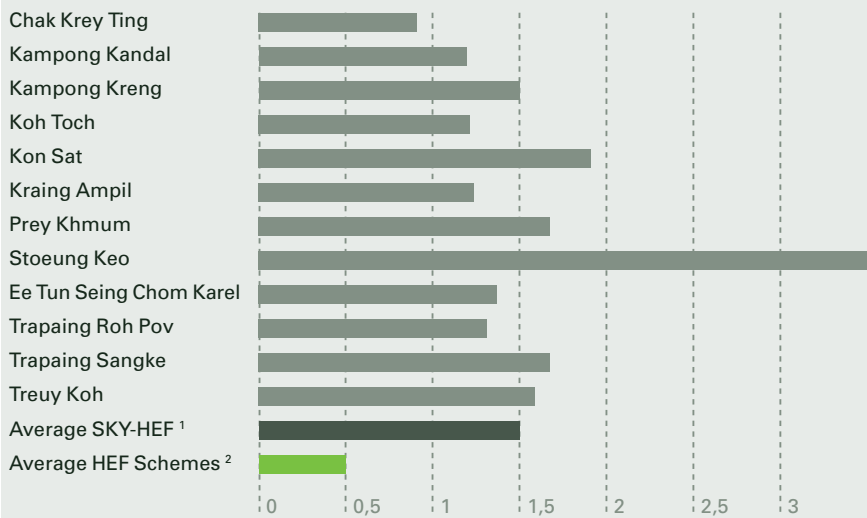
US\$ 9 for urban insureds

Everyone in the catchment area is eligible for the insurance. The HEF members (the poor) get the premium paid for by the government; other people are voluntary members. Transportation vouchers are given to clients and the scheme also has a mother care programme.

Following SKY's introduction, the University of California at Berkeley conducted a randomised controlled trial (RCT) and found a significant increase in utilisation of health services, especially by the poor, and an increased number of deliveries in the health centre (see Figure 6). The former result can be attributed to the absence of discrimination for HEF members, active information sharing, stronger negotiation power towards health facilities to improve quality of care, and the transportation vouchers.

The role of SKY is indicative. It is a challenge to keep the scheme affordable and sustainable in the long run, and it is believed to require public funding, especially if extension to the entire population is desired. Political commitment is important for such programmes to attract significant membership.

Figure 6
Increased healthcare utilisation by the poor



¹ Average contact rate per capita per year in the standard HEF model: 0.5

² Average contact rate per capita per year in SKY HEF-CBHI linkage: 1.47

Understanding responses to health shocks for insurance design

Client Math is a tool to look at claims made by clients to insurers and how they finance their health shocks, for gaining insights into how to design health insurance. It has been developed by Micro Insurance Learning and Knowledge (MILK) and is a method that fills the gap between focus group discussions and large household surveys. A downside of this method is that foregone care is not measured; only people who actually visit a clinic are interviewed.

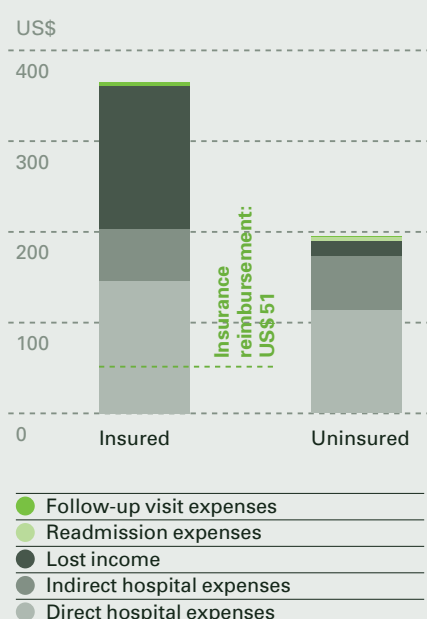
Both insured and uninsured people have access to many different strategies to cover the cost of a health shock. It is important to think about insurance in the context of those other strategies and to understand to what extent insurance complements or substitutes them as an aid for coping.

Insureds still face additional health costs on top of premiums. To pay for these expenditures, people have to borrow from others or from institutions where they face high interest rates. Typically, Client Math studies show that insureds are able to take advantage of less formidable financing methods. However, this is not the case for health. When it comes to health, people seem to be crowding into better services and having to make payments with various resources (see Figure 7).

Financial value offers insufficient support for families whose costs far exceed the care itself. Cashless coverage can markedly reduce out-of-pocket spending, but opportunity costs such as loss of income can still comprise a substantial part of the costs. Loans, both formal and informal, and income were important sources of financing for both the insured and uninsured.

Clients who received a benefit can perceive a great value in a product even when the pay-out is small relative to the full cost of the shock they experience. When looking at financial value, it is important to look at the quality of the services offered.

Figure 7
Health costs for the insured
Hospitalisation expenses, MicroEnsure, Solapur, India



- Keeping total costs in mind is critical to understanding value
- In Solapur, the total cost of insurance for insured farmers was seven times the US\$ 51 reimbursement received
- Is it sufficiently improving the “math”? Or is the value more in the availability of information about which clinics to go to?

Insurance was not sufficient to cover costs

Parallel session 3
Health

Is there health in microinsurance?

VimoSEWA

Number of people insured

Close to 100,000

Insured risks

Life and in-patient hospitalisation

Premium range

US\$ 6-15

VimoSEWA is an integrated insurance programme that was started in 1991 by SEWA, a trade union for female workers in the informal sector in India.

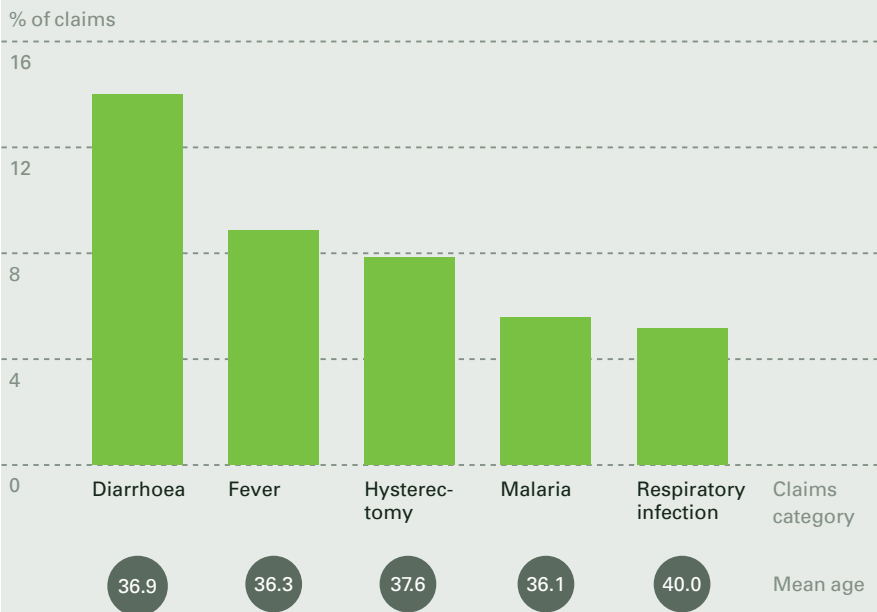
When reviewing the claims for hospitalisation within the programme, VimoSEWA found that diarrhoea, fever and hysterectomy were among the top five causes of hospitalisation among adult women, with a mean age of 37.6 for hysterectomies (Figure 8). Waterborne illnesses and fever can be treated in an outpatient setting if detected early, and hysterectomy at a young age may not be medically necessary.

The study that followed was aimed at finding out whether the insured and the uninsured differ with regard to morbidity and utilisation of health-care. A mixed-method approach was used, whereby a cross-sectional household survey was conducted among 1,980 households (of which half were insured) and qualitative interviews were conducted.

Despite similarities in observable characteristics between the two groups, the insured group goes to hospitals more often than the uninsured.

It was believed that women, who would previously have gone for outpatient care, may seek in-patient care because this is included in coverage. However, qualitative interviews indicated that women try outpatient care first before resorting to in-patient care. Hospitalisation is only resorted to when outpatient treatment fails – compensation for a weak public health system.

Figure 8
Top five hospitalisation claims among adult women –
VimoSEWA health claims review (2007–2009)



Source: Desai, Sapna. Presentation “Is there health in microinsurance?”.
8th International Microinsurance Conference 2012

It is unlikely that the moral hazard on the provider's side plays a role in increased hospitalisation among the insured, because the provider cannot determine whether someone is insured or not. Some of the driving factors for the high incidence of hysterectomies among young women are a lack of primary gynaecological care, unawareness of side effects and the absence of regular examinations. The insurance is a facilitating factor, not a driving one. Of all hysterectomies in the study, 40% were done in government hospitals, which suggests that it is not profit-driven.

It is difficult to have an affordable package that meets health needs. By putting outpatient care in the package, it easily becomes unaffordable. However, it is important to look at the effect of the insurance package on utilisation of healthcare and, ultimately, health outcomes.

Lessons learnt

- Political commitment is important for take-up of insurance programmes and for funding in the long run to make these schemes sustainable.
- Coverage should take into account the needs of the clients and other tools already available to them to cope with health shocks.
- Private programmes need to complement public programmes.
- It is important to look at the effect of the insurance package on health utilisation and whether doctors are making the right decisions and have the knowledge to do so.



32

32 — Barbara Magnoni, MILK Project, MicroInsurance Centre, USA.



33

33 — Sapna Desai, SEWA, India; Marielle Goursat, GRET, Lao PDR; Facilitator: Denis Garand, Denis Garand and Associates, Canada.

Parallel session 4

Academic track – Agricultural insurance

Most rural households depend on agriculture and are vulnerable to weather shocks. A changing climate is resulting in more frequent and severe perils such as droughts and typhoons. Agricultural insurance protects rural households against this risk and can reduce their exposure.

This session shed light on two different approaches to measuring the demand for agricultural insurance: a designed experiment in Ethiopia, and a quasi-natural experiment in Colombia.

A clear preference for more pay-outs

The first study explored the demand for index insurance, particularly whether farmers only take out minimal index insurance coverage. An experimental game was conducted to study choices between index insurance options – as part of the Horn of Africa Risk Transfer for Adaptation (HARITA) project, a holistic adaptation risk management scheme involving risk reduction, risk transfer and prudent risk taking. Potential clients of the HARITA project in Ethiopia participated in the games. These farmers received ETB (Ethiopian birr) 70 (US\$ 5), approximately twice their daily salaries, and had to choose among five options for managing their risks.

The options included keeping the money, putting the money in a savings account, investing in a community savings fund, and two index insurance options – one covering only severe droughts with lower pay-out frequency, and a second, more expensive option with higher pay-out frequency. The insurance products were developed in collaboration with the communities to meet local needs.

Low-income farmers also had the option to purchase insurance with labour instead of cash. Such labour activities had to contribute to risk reduction activities such as composting, water harvesting and planting trees.

Participating farmers showed a clear preference for the more expensive insurance option with higher pay-out frequency. They also preferred buying this insurance over investing or saving the money.

Most of the low-income farmers chose to pay at least part of the insurance premium in labour. They purchased HARITA insurance and opted for the scheme that had more pay-outs.

Reasons for farmers' preference of higher frequency pay-outs will be investigated in follow-on studies.

Impact of weather insurance on small-scale farmers

The second study looked at the impacts of a subsidised insurance programme on coping strategies and capital use after extreme weather events.

Colombia's tobacco industry is dominated by two companies with similar features. Farmers working for them have comparable socio-economic characteristics. They have also been working for these companies for at least several years, or even generations. These features provided ideal conditions for a quasi-natural experimental study. For the experiment, one company offered voluntary traditional indemnity-based insurance to its farmers, while the other company did not offer an insurance scheme. Traditional insurance was chosen for the study after experiments based on rainfall index failed because of inadequate data.

34 — Daniel Osgood,
Columbia University, USA.

35 — Geoffrey R. McCarney,
Columbia University, USA,
presenting the topic of agricultural
insurance, which attracted many
participants. Other speakers were
Stephan Dietrich, University of
Göttingen, Germany, and Elisabet
Rutstrom, Georgia State Univer-
sity, USA (Facilitator).



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The analysis was based on survey data of 468 households for 2011 and retrospective questions for the years 2009 and 2010, with detailed information on household characteristics, shocks and capital use.

The results suggested that households that bought insurance dealt differently with the impacts of extreme weather perils. Insured households were more likely to use formal loans, mainly bank loans, to cope with the financial shock.

This increase in capital use enabled households to handle the financial shock without having to sell their productive assets. As a result, their need for emergency aid decreased and the recovery period was shorter.

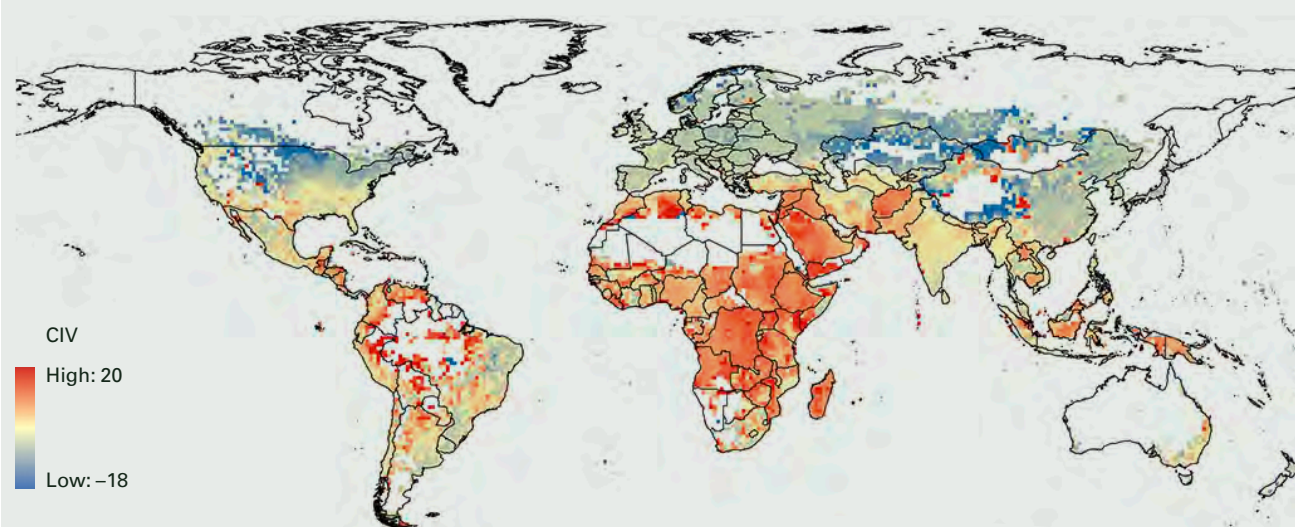
Increased capital use did not lead to a higher vulnerability to debt traps. Insurance reduced the risk of the loan-debt cycle.

The insurance product is heavily dependent on subsidies and could not be provided in this form on a commercial basis. However, the scheme met the objective of the government to reduce the need for emergency aid after extreme weather events.

Lessons learnt

- Farmers prefer an insurance product with more frequent payouts, even if it is more expensive.
- Low-income farmers, given a choice, want to pay at least a part of the insurance premium with labour instead of cash.
- Insured farm households are more likely to use formal loans from banks to cope with climatic shocks, without having to dispose of their productive assets.
- Subsidised weather insurance helps the government by reducing the farmers' need for emergency aid after an extreme event.
- Index insurance should be viewed as part of a holistic risk management programme including risk reduction, risk mitigation, and cautious risk-taking.

Figure 9
Geographic disparities in the predicted impacts of climate change on human populations



Source: Dietrich, Stephan. Presentation "Impact of weather insurance on small-scale farmers: A natural experiment". 8th International Microinsurance Conference 2012

Plenary 2

Is mutuality the missing link in microinsurance?

The United Nations declared 2012 the International Year of Cooperatives, with the theme of “Cooperative Enterprises Build a Better World.” This highlights the contribution of cooperatives to socio-economic development, particularly their impact on poverty reduction, employment generation and social integration.

Cooperative and mutual insurance companies are active in microinsurance. They play a unique role because of their ownership structure, cooperative values and the inherent concept of mutuality. This plenary looked at the concept of mutuality and whether it is the missing link in making microinsurance widely successful and sustainable.

Box 1

Video message for the International Day of Cooperatives

Ban Ki-moon, United Nations Secretary-General

Today we celebrate how cooperatives build a better world. Cooperatives advance sustainable development and social integration. They create jobs, empower their members and strengthen communities.

They promote food security and enhance opportunities for small agricultural producers. They are better tuned to local needs.

By pooling resources, they improve access to information, finance and technology. And their underlying values of self-help, equality and solidarity offer a guidepost in challenging economic times.

Cooperatives are also critical in supporting indigenous communities, and in offering productive employment opportunities for women, youth, persons with disabilities, older persons and others who face discrimination and marginalisation.

The global financial and economic crisis has also demonstrated the resilience of alternative financial institutions such as credit unions and cooperative banks.

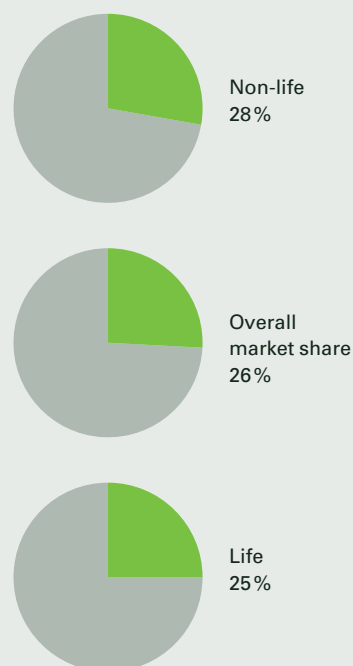
In this International Year of Cooperatives, I encourage all stakeholders to continue building awareness and pursuing policies to strengthen cooperatives everywhere. By contributing to human dignity and global solidarity, cooperatives truly do build a better world.

Source: Video “Insurance for the people, by the people”. www.youtube.com/watch?v=_uxvSXXy6jl

The mutual difference

In essence, the mutual concept is that a group of people would collectively be in a better position to act for their mutual benefit compared to each person acting alone. A cooperative or mutual company is owned by its members. It is focused on meeting the needs of its members, in addition to financial sustainability. In contrast, stock companies are owned by their shareholders and are heavily focused on generating profits as part of delivering shareholder value.

Figure 10
Global market share of
mutuals in 2010



Source: ICMIF 2012

36 — Left to right:
Kumar Shailabh, Uplift
Mutuals, India; May Dawat,
CARD MBA, Philippines.



Box 2

ICMIF's view of cooperatives

- One billion people are members of cooperatives worldwide.
- A cooperative meets members' needs because it is owned by them.
- Cooperatives improve livelihoods and strengthen economies.
- Cooperatives are successful and sustainable enterprises.
- The 300 largest cooperatives in the world have combined sales of over US\$ 2tn.
- Cooperatives account for 100 million jobs around the world.
- Cooperatives care for their communities.
- Cooperatives put people before profit.
- Cooperatives are member-owned and democratically run.
- Cooperatives are businesses run on principles.
- Cooperatives empower people.

Source: Video "Insurance for the people, by the people"

The basis of insurance, the sharing of risk, is inherently a mutual concept established to address a need and a response to market failure. Mutuality is at the heart of insurance.

As cooperative and mutual companies do not have shareholders in the market and are owned by their members, their ownership structure enables them to focus on long-term business objectives to make sure they deliver their promises and commitments rather than pursuing aggressive strategies and short-term objectives to satisfy shareholders. This long-term strategy helped cooperative and mutual insurers to outperform their peers in the insurance industry during the global financial crisis from 2008 to 2010.

The mutuality link to microinsurance

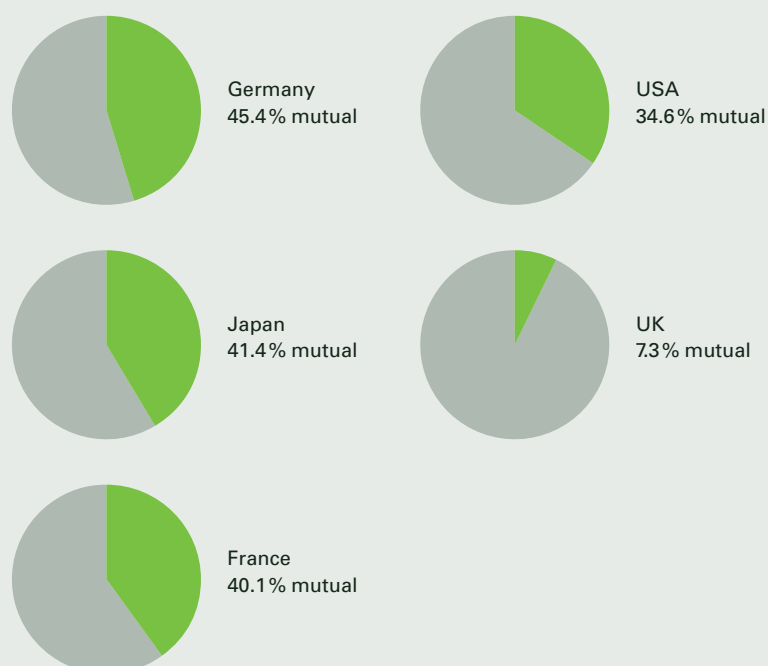
Cooperatives and mutuals exist to serve their members. They have closer relationships with their members, often even knowing them by face and name. As the client value is top priority, mutuals are well-positioned to understand and address their members' needs. Creating a culture of trust, acceptance and understanding convinces members to stay with the programme for the long term.

Cooperatives and mutuals involve members in decision-making such as claims settlements and product development. Processing claims is at the heart of the business to demonstrate trust and make insurance tangible.

Members of a cooperative or mutual are inherently motivated to support their own institution and are willing to invest significant resources into education, training and awareness-raising programmes as part of their regular meetings.

Figure 11

Mutual market shares in top five insurance markets



Source: ICMIF 2012

37 — Nelson Kuria,
CIC, Kenya.



Plenary 2

Is mutuality the missing link in microinsurance?

The cooperative or mutual structure is an aggregator by nature and groups people together. This group can provide the critical mass of people for a risk pool, which is integral to making the concept of insurance work.

Many countries do not have a separate regulatory framework for cooperative and mutual insurers. But in some countries solvency requirements for popularly based schemes may not be as restrictive as for private insurers, and mutuals can benefit from lower tax rates. As a result, their insurance products can be sold at a lower premium and thus become more affordable and accessible.

Furthermore, they are in a position to develop and test insurance products that are difficult to provide on a sustainable basis, such as healthcare and agricultural insurance. As a group, they can closely look at how their members live and manage their risks, and focus on risk-reduction measures. For example, they invest in promoting good health among their members to avoid serious illnesses, which keeps claims low.

Because they do not raise share capital in the market, cooperatives and mutuals may be looked upon as not strong enough financially to sustain a capital-intensive service like insurance. But experience has shown otherwise. Cooperative and mutual insurers are contributing to the growth of the microinsurance industry in a number of countries (see Box 3). They could do more.

Box 3

Examples of mutual insurance

CIC Kenya

Insured risks
Life and health

Number of people insured
1.3 million, 600,000 in microinsurance

Growth perspective
Currently second largest insurance company in Kenya, fastest growing insurance company because of the microinsurance component

CARD MBA Philippines

Insured risks
Life, credit life, retirement savings, and hospitalisation

Number of people insured
7.5 million individuals (1.5 million members plus their families)

Growth perspective
Started with 29,000 members in 1999 and reached 1.5 million this year

Uplift Mutual India

Insured risk
Health

Number of people insured
200,000

Growth perspective
Steady but slow growth, focus on quality not quantity.

Lessons learnt

- Mutuality has the same conceptual roots as insurance, and fits customer-focused microinsurance particularly well.
- In developed countries, co-operative and mutual insurers were created and driven decades ago by groups of disadvantaged people who could not get coverage from private insurers. In developing countries today, mutuality can be the answer to a similar lack of access to microinsurance.
- As member-owned institutions, cooperative and mutual insurers can focus on long-term goals and perspectives, guided by the needs of their members.
- Cooperative and mutual insurers have a key role in the insurance industry value chain and should be duly recognised. They are not inferior insurers and they are not a threat to commercial insurers.
- There are hundreds of cooperative and mutual microinsurance schemes operating informally in emerging markets and developing countries, serving low-income communities. There is a need to formalise these groups, so they can be part of the global network to share and exchange knowledge and experience.
- Regulators in developing countries (e.g., India) need to understand what a good mutual is so they can come up with effective regulations. Such work can be supported by ICMIF, which represents the mutual and cooperative insurers worldwide.

38 — Facilitator:
Doubell Chamberlain,
Cenfri, South Africa.



Agenda

Day 2 afternoon sessions 7 November 2012

Parallel session 5	Parallel session 6	Parallel session 7
Presentation of the actuarial training modules for microinsurance	Consumer protection for the low-income market	Client Math tool kit for understanding the value of microinsurance for clients
This session is linked with Session 9		
<u>Eamon Kelly</u> Microinsurance Consultant, UK Actuarial Profession Microinsurance Working Party, UK	<u>Janina Voss</u> Advisor, GIZ, Germany A holistic approach to consumer protection	<u>Barbara Magnoni</u> Client Value Project Manager, MILK Project, MicroInsurance Centre, USA
<u>Nigel Bowman</u> Consultant, Nigel Bowman Actuarial Consulting, South Africa	<u>Pedro Bulcao</u> CEO, SINAF Seguros, Brazil Guided discussion about role of insurers and insurance associations	<u>Michael McCord</u> President, MicroInsurance Centre, USA
	<u>Abayomi Sule</u> Programme Coordinator, Hygeia Community Health Plan, Nigeria	Facilitator Michal Matul Senior Research Officer, ILO/Microinsurance Innovation Facility, Switzerland
	<u>Katherine Gibson</u> Consultant, South Africa Market failures and regulatory responses	
	Facilitator Hennie Bester Strategic Advisor and Regulatory Expert, FinMark Trust/Cenfri, South Africa	
Parallel session 8	Parallel session 9	Parallel session 10
Training session on process mapping for business excellence	Pricing of microinsurance	Financial and social key performance indicators for microinsurance
<u>Clémence Tatin-Jaleran</u> MicroInsurance Centre, Canada	This session is a follow-up to Session 5	<u>Bert Opdebeeck</u> Microinsurance Programme Coordinator, BRS – Belgian Raiffeisen Foundation, Belgium
<u>Sawsan Eskander</u> Sajida Foundation, Bangladesh	<u>William Collins</u> ILO Microinsurance Fellow, Kenya Orient Insurance, Kenya	<u>Jennifer Hennig</u> Policy Advisor, GIZ, Germany
<u>Ayham Esmail</u> ILO Fellow, Star Microinsurance Services, Ghana	<u>Caroline Phily</u> Technical Officer, ILO/Microinsurance Innovation Facility, Switzerland	
Facilitator <u>Roland Steinmann</u> Microinsurance Specialist, MicroInsurance Centre, Switzerland		

Parallel sessions
5 and 9²

Presentation of the actuarial
training modules for microinsurance
and Pricing of microinsurance

The two sessions were held concurrently, as the topics are complementary. Pricing was dealt with first, and then the tool kit (training modules).

For the pricing part, the integrated session used a holistic approach based on group interaction, to provide participants with a better understanding of the pricing process.

Participants were split in groups. An experienced professional with pricing experience was assigned to each group formed, and helped with the analysis of three questions:

- What are the main steps involved in pricing?
- What main challenges have you encountered?
- What are the most important factors to consider for improving pricing for microinsurance?

Main steps in pricing

Starting from a basic institutional assessment and market research, the entity can start by designing the product and having an initial business plan. The next step before testing the product and rolling it out is setting the price, which in the case of insurance and microinsurance is the premium.

The **gross premium**, the premium payable by the client, is calculated as:

- **Risk premium**
(the expected cost of claims), plus
- **Safety margin**
(to account for the uncertainty of the calculation), plus
- **Expenses**
(start-up and development costs, marketing and distribution, fixed costs, net cost of reinsurance, cost of capital and taxes), plus
- **Profit margin**
(profit margin and surplus, equity build-up).

The pricing process starts by **gathering quantitative and qualitative data** necessary to determine the **risk premium**. The data may include claims experience from similar products, distributor's information, national and international surveys, market research (for example, a competitor's offer), and country-wide claims experience.

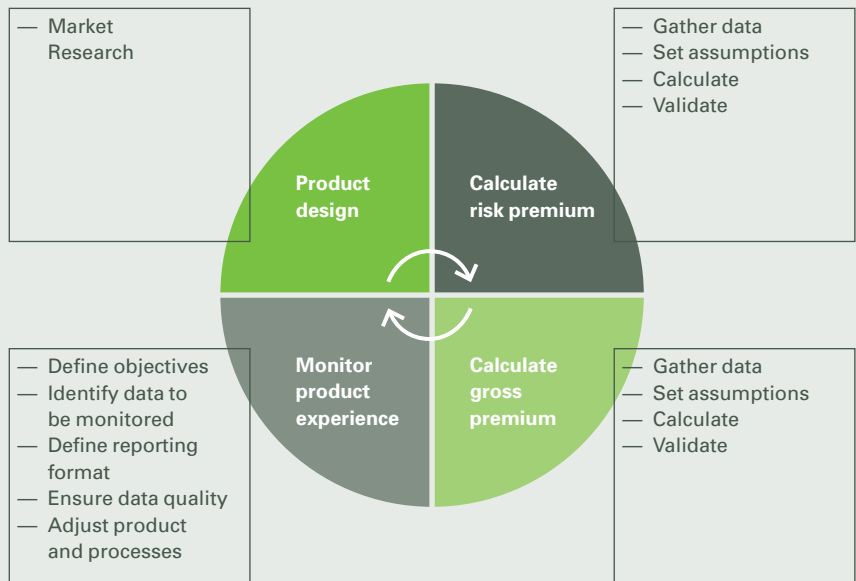
This information is used to provide the clients' characteristics (mortality rates, morbidity rates, willingness to pay, etc.), the cost of potential claims and the amount of expenses the product implies. These details must be adjusted and validated through qualitative information obtained from meetings with clients and experts.

The next step is setting **assumptions** – on the claim frequency rate, claims cost and volume.

Frequency rate =
Number of claims ÷ exposure

² Parallel sessions 5 and 9 were consecutive sessions on the same theme. For this reason, the results are jointly presented here.

Figure 12
Phases of insurance development



Source: Phily, Caroline. Presentation "The pricing of microinsurance".
8th International Microinsurance Conference

Exposure is the population to which the claims experience applies. For example, the number of lives insured during a period is the “lives exposed to risk”.

The **claim amount** can be simple or complex depending on the insured benefits. The main methods for arriving at the claim amount, where it is not a predefined amount, are using an average claim assumption or a probability distribution assumption. The latter refers to the cost linked to the probability of occurrence of the claim. The probability that low-cost small events occur is higher in general than the probability of a single large event causing a considerable claim.

The volume will be affected by other assumptions, like characteristics of the product (voluntary or mandatory), insurance culture and consumer education, whether or not the product offers tangible benefits, the incentives for sales force, etc.

After the data and assumptions are set, the next phase is calculating the risk premium or the expected cost of insurance:

Expected cost of insurance = Frequency of event x expected amount of insurance claim

This cost is calculated per period (annual, bi-annual, etc.) and per unit: policy, person, insured group, insured car, etc.

A simple example of a calculation is the cost of individual life insurance:

Annual risk premium = Annual mortality rate x sum insured

After the risk premium is determined, it is necessary to include in the equation the **expenses**. The loading for expenses in the premiums should cover the operating expenses of the company, provide a safety margin, allow for dividends or profits and contribute to building equity and thus solvency. There are two common methods to include (load) expenses into the gross premium:

- A percentage of the premium, in which case the formula is
Gross premium = Risk premium ÷ expense loading (%), or
- A fixed amount for every policy, in which case the formula is
Gross premium = Risk premium + expense loading (US\$)

When the pricing process is complete and a pilot test conducted, the product is ready to roll out. However, a **monitoring system** should be set up.

The process ends its first phase by comparing the results with the product design and making changes if necessary.



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39 — Left to right: Eamon Kelly, UK Actuarial Profession Microinsurance Working Party, UK; Nigel Bowman, Nigel Bowman Actuarial Consulting, South Africa; William Collins, Kenya Orient Insurance, Kenya.



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40 — Caroline Phily, ILO/Microinsurance Innovation Facility, Switzerland.

Parallel sessions 5 and 9

Presentation of the actuarial training modules for microinsurance and Pricing of microinsurance

Training modules

The Actuarial Microinsurance Training Modules are the result of a project being run jointly by the Microinsurance Working Party of the UK Actuarial Profession and the International Actuarial Association, the entity that coordinates the Actuarial Discussion Group of the Microinsurance Network.

The objective of the training modules is to introduce microinsurance practitioners who are not actuaries to actuarial principles and methodologies to better help them serve their clients. Specifically, it may

- help practitioners to design better products for their clients;
- help microinsurance organisations to manage their risk profile in a sustainable manner;
- empower microinsurance practitioners in interactions with third parties;
- be a “how to” guide in spreadsheet form.

It is for education and guidance, not a “one size fits all” solution.

The module consists of a number of sections:

- A. Life Assurance Module
- B. Agriculture Module
- C. Health Module (expected in 2013)
- D. Data Structure – A hypothetical data structure for claims, premium and membership that would facilitate consistent, accurate, timely analyses that inform pricing, reserving and other risk management activities.

Within each module, key areas such as pricing and reserving are addressed.

The tool kit can be found at:
www.stats.ox.ac.uk/research/insurance/actuarial_toolkit

The case of an MFI in Vietnam

With this technical background, participants worked in groups on a case of a Vietnamese MFI, with 20 branches operating primarily in agriculture-based communities within the poorest districts in northern Vietnam. In 2006, the MFI added insurance to its services. Premiums were collected in combination with the weekly loan repayments and with savings deposits. In 2012 it created a distinct entity, Mutual Benefit Program (MBP), separating microfinance from the microinsurance operation, and hired a team of consultants to help design and price a new microinsurance product.

Based on market research confirming the interest of the members in life coverage, the consultants designed a microinsurance product with the following benefits and features (VND is Vietnamese dong, and 1 US\$ = VND 20,840):

Member death benefits

- The full benefit is VND 30,000
- Benefits reduce to 50% if age at death is 65 or older

Spouse death benefits

- The full benefit is VND 10,000
- Benefits reduce to 50% if age is 65 or older

Child death benefits

- Identical to spouse death benefits

Eligibility

- All MFI members are eligible
- Entry age: 18–55
- Exit age: None

The information collected by the consultants included information on the current MFI membership, claims history on previous products, the 2005 WHO mortality rate for Vietnam, market research results and MFI expenses.

Additional information included:

Memberships and claims history

The sum of end-of-year members (EOYM) for the years 2004 to 2011: 124,253.

Number of deaths of members for the same period: 143

Number of deaths of spouses in the same period: 624

Number of deaths of children in the same period: 262

Market research

- Funeral life – ability to pay p.a.: VND 400
- Funeral life – willingness to pay p.a.: VND 200

Past experience

Discussion with the front-line staff of the MFI pointed to some issues that affected the interpretation of the experience data:

- Some branches are allowing members to enrol siblings or older children as proxy spouses in order to avail of the spouse death benefits.
- Health of members is the base for eligibility. A member must be in good health to access a loan. No health check is performed on other lives.

MBP expenses

The annual amount budgeted for operational expenses, excluding variable expenses, is VND 1,000,000. This covers a full year's expenses (e.g., rent and salaries). Total number of members is 100,000.

Based on this information, the participants were to find and set assumptions, define what other information it would be necessary to collect, what the approximate premium rate would be and how it compares with the market.

With all the previous information, the next step is to assess the risk premium, which requires the mortality rate. Even though the WHO mortality rate for Vietnam was part of the information received, in this case it is possible to assess mortality by using the MFI's records, as follows:

Sum (EOYM) = 124,253

Death of member: 143

Death of spouse: 624

Death of child: 262

Mortality rates per member:

Member $143 \div 124,253 = 0.12\%$

Spouse $624 \div 124,253 = 0.53\%$

Child $262 \div 124,253 = 0.22\%$

Risk premium:

Member $30,000 \times 0.12\% = 36$

Spouse $10,000 \times 0.53\% = 53$

Child $10,000 \times 0.22\% = 22$

TOTAL VND 111

Fixed costs

The fixed costs per person are VND 10. This is the result of dividing VND 1,000,000 (See MBP expenses) by 100,000 members.

Variable costs

Although many assumptions could have been made, a reasonable one for variable costs is 25% of the sum of the risk premium plus the fixed loading.

$$25\% \times [111 + 10] = \text{VND } 30.25$$

Finally, another assumption could be that MBP wants to obtain VND 7.5 per policy as a profit margin and an additional 10% of the previous sum as build-up equity. The gross premium would then be:

$$[111 + 10 + 30.25 + 7.5] \times 1.1 = \text{VND } 174.62$$

When this amount is compared to the market research, the conclusion is that many other assumptions can be made to arrive at a gross premium more likely to meet clients' expectations and the market competitor's price. This is an illustrative calculation and a "first go" to benchmark some of the key assumptions. Final pricing would require further detailed analysis around the key assumptions specified above, i.e., claim frequency, expense loading, profit margin and security margin.

Lessons learnt

- The purpose of pricing is to determine a premium that is a fair price for the insurance coverage promised.
- Experience data for microinsurance is limited. There is a need for capacity and systems to collect quality data.
- Processes have a huge impact on pricing assumptions, especially enrolment mechanism and claim control.
- The microinsurance market is not exposed to insurance and very sensitive to pricing fluctuations. It is important to get pricing right. Increasing premium after launch will cause considerable resistance.
- Context is crucial in microinsurance. Spend time understanding it. Check premium reasonability against the clients' willingness to pay, competitors' prices, the related cost to client, and expected claim amount.
- The ILO's Microinsurance Innovation Facility has developed a three-day training workshop and has a corresponding technical guide, to be found at www.microinsurancefacility.org

Parallel session 6

Consumer protection for the low-income market

Consumer protection for the low-income market

This session looked into two key questions around consumer protection for microinsurance:

- Why, in consumer protection terms, is microinsurance different from traditional insurance?
- In relation to these distinctive aspects, what are specific issues and examples for consumer protection from different stakeholders' perspectives?

Distinguishing features

Microinsurance markets are growing rapidly as providers are recognising the business potential and, in some countries, financial inclusion efforts are high on the policy agenda. This improves access to microinsurance but it also increases the risk of intentional or unintentional abuse.

Trust is imperative to the success of this market. Low-income consumers are highly vulnerable and often have a limited understanding of and access to risk management tools. Their low trust in insurance providers, coupled with fluctuating cash flows, works against access to insurance.

Consumer protection for microinsurance is distinctive because:

- Traditional insurers are not used to serving this market.
- Informal or community-based organisations and new delivery channels often lack insurance experience.
- The longer value chain makes accountability difficult.
- Weaknesses at the policy level, where there is no appropriate regulation in place, or supervision is sluggish, add to these challenges.

From a consumer's perspective, an ideal insurance process requires a well-informed consumer, capable of choosing (deciding on a choice of) valuable products from trustworthy and financially sound providers – with appropriate, transparent processes and effective complaints mechanisms in place.

This ideal scenario is challenged in many ways. However, it should serve as a point of reference for evaluating the consumer protection implications of insurance practices and products for the low-income market.

Using the PACE framework

Hygeia offers a health microinsurance product in Nigeria. It sees health microinsurance as an opportunity to expand its market and also to provide social value. Its clients are particularly vulnerable to health shocks, are usually new to insurance, have low education levels and distrust formal schemes.

Hygeia Community Health Plan

Number of people insured
100,000 individuals

Insured risks

In-patient and outpatient health

In Nigeria insurance penetration is very low, at less than 5%. There is a need for health microinsurance to be regulated separately from mainstream health insurance, but the Nigerian market suffers from under-regulation. A lack of clarity results from the existence of multiple regulators, and multiple players.

Hygeia has tackled this issue by using the PACE tool to address client protection principles. The tool correlates closely with client protection principles (see Figure 13) and evaluates how the product compares to its competitors'. In its analysis Hygeia chose a government product for comparison, and recorded that it was outperforming that product in all aspects covered by PACE. For Hygeia, its consumer protection efforts are a vital part of its marketing drive.

41 — Left to right:
Janina Voss, GIZ, Germany;
Abayomi Sule, Hygeia
Community Health Care,
Nigeria; Katherine Gibson,
Consultant, South Africa;
Facilitator: Hennie Bester,
FinMark Trust/Cenfri, South
Africa.

42 — Pedro Bulcao, SINAF
Seguros, Brazil.



Self-regulation is particularly important because insurers are in the business of trust, and gaining and maintaining this trust are essential to the sustainability of the industry. The challenge is to be there for clients in their moments of trouble. From the first contact, it is necessary to demonstrate credibility and reliability in all interactions. Hygeia benefited from the fact that it is not a traditional insurance company and has a good, long-standing brand to start with.

One unusual aspect of health microinsurance is that the insurance company is not in control of the final service clients receive. To try to ensure the quality of this service, Hygeia provides customer training to front-office staff, insisting that all clients are treated in a dignified manner, and has implemented methods to record complaints. Hygeia has experienced most problems with the service aspect, rather than with the financial product itself.

The need for competition to ensure choice

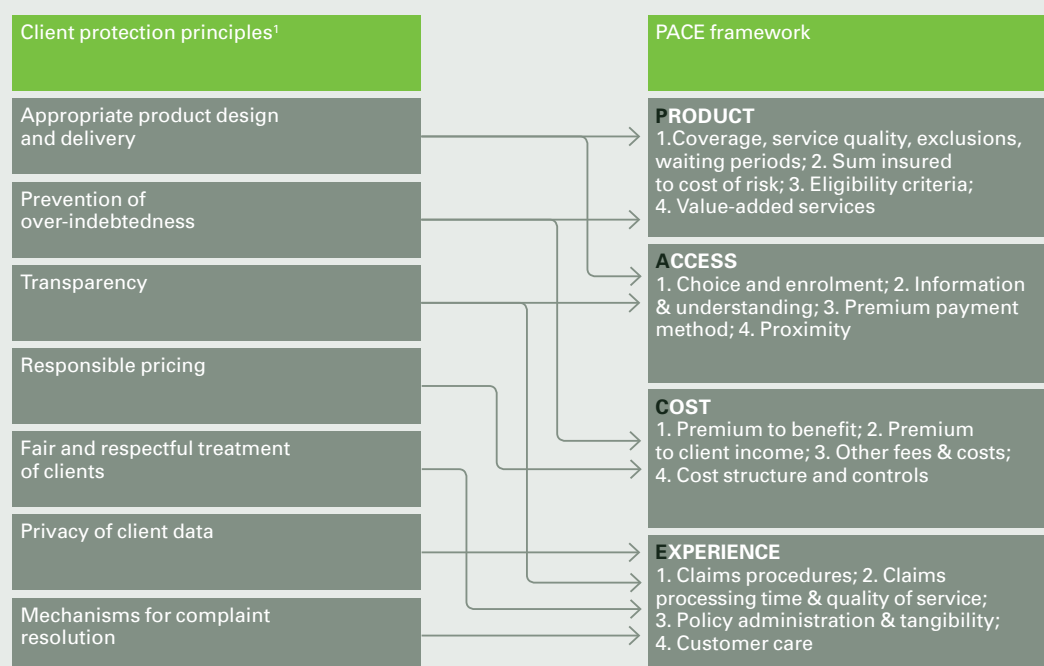
The main role of insurance associations is to make sure that consumers have a choice in how, where, and what insurance they buy, and this requires a healthy market.

In Brazil there has been collaboration to ensure that insurance education is included in primary education. A code of ethics has also been enforced and there is a drive towards a more inclusive market. However, the most important aspect is to ensure that free markets and strong competition provide the low-income client with choice. Legislation should allow the market freedom for new initiatives, and should lower the barriers for new providers. This is especially important for microinsurance, where many solutions are coming from non-regulated entities.

At the moment, the biggest issue for the microinsurance market in Brazil is not one of ethics but of market design: distribution is dominated by bancassurance and there is a lack of competition.

Microinsurance is essentially the same as other insurance, and should be treated as such. For example, there is fraud among the poor, as with any other segment of society. This is not “a big deal”; it should just be dealt with as with any other segment.

Figure 13
Client protection principles and PACE framework



¹The Smart Campaign developed these principles in collaboration with the Microinsurance Network (MIN), including the MIN Consumer Protection Task Force and the MIN Performance Indicator Working Group.

Parallel session 6

Consumer protection for the low-income market

Looking at market conduct

Financial services must be a response to the real economy and ultimately consumers must be protected.

Normally when providers think about consumer protection they mostly have product design in mind, but they need to look beyond that to market conduct and prudential regulation. Market conduct is about how clients are treated and also about how players treat one another, i.e., the level of competition in the market. Prudential regulation ensures that insurers can satisfy their claim obligations (failure to do so hurts consumers and trust in the market as a whole).

Consumer demand in South Africa has driven a mushrooming of funeral insurance for low-income people, provided by funeral parlours and funeral societies.

The intuitive policy response was a witch-hunt to find those that were illegal. But then there came the realisation that these players were providing important access, so the question changed to how to formalise these entities and aid market development, while still protecting consumers.

The insurance penetration rate in South Africa is now 26%. But there are still significant problems, with consumers continuing to buy products that they do not necessarily need and that they certainly do not understand.

Furthermore, the regulatory situation is complicated, with different entities subject to significantly different rules, and confusing overlap between insurance law and intermediation law.

In practice this means that regulatory requirements are too often incomplete, ignored, inconsistent, and the resources available for compliance and enforcement are stretched.

In such a complex framework many players who were developing the market in a positive way were not able to comply. It is also important to provide the support infrastructure to enable compliance and formalisation – for example, by helping build accounting expertise.

Microinsurance markets reflect different types of providers (like insurers, MFIs and funeral parlours) with varying degrees of formalisation and sophistication, and poorly informed clients for whom the consequence of exploitive insurance practices can mean poverty. These features necessitate regulation to accommodate different providers/intermediaries on a level playing field, while at the same time being flexible enough to address what may be different consumer abuse experiences across these different channels.

A functional rather than an institutional approach to regulation is proposed to ensure against incomplete and inconsistent regulatory coverage. Indeed the regulatory response to these challenges in South Africa has been to try to bring entities onto a level playing field through product standardisation, based on the belief that if products can be streamlined, the regulation can be too.

A significant stumbling block encountered in this case was how these stakeholders view each other. The regulator is overly cynical in assuming that whatever the market is doing must be against the interests of consumers, while market players underestimate the strategic and technical understanding regulators have of the market. In reality the two need to work proactively together to make the right policy decisions for the consumer.

Attention should increasingly be given to support countries in the translation of international benchmarking standards into actual regulation.

Regulation, once implemented, needs to be tested for effectiveness – are consumers better protected, and at what cost?

Lessons learnt

- There is a trend for a more open regulatory architecture in many countries, with greater variation in the entities able to work as underwriters and distributors. As a result it becomes harder and harder to control entry, so consumer protection is becoming more important as a proxy for controlling entry.
- Regulation must tread a fine line to encourage competition and support the development and formalisation of the market, while also protecting consumers.
- Insurers are in the business of trust, so even in under-regulated markets, self-regulation is vital to promote trust and make the industry sustainable.

Parallel session 7

Client Math tool kit for understanding the value of microinsurance for clients

As the global microinsurance market has grown in the last decade, there has been a notable shift in conversations among practitioners. While there are still many undeveloped markets and opportunities for growth, the needs of developed markets are changing.

Conversations once revolved around how to tackle operational challenges. They are now focused on not just how to provide microinsurance to the poor, but rather, how to make sure that the product provides value to the client. This shift has marked an important moment in industry development, and sparked a new way of thinking about microinsurance product design. Now, not only are insurers and delivery channels concerned with the number of policies they can sell, but also about providing clients with a product of value.

A new tool has been developed and has helped to generate greater interest in client value, and that was the focus of this session. In 2010 the Microinsurance Centre undertook the three-year Microinsurance Learning and Knowledge (MILK) project that aims to understand both client value and the business case for microinsurance. MILK's client-value methodology, Client Math, investigates whether or not microinsurance helps protect the poor from large shocks in comparison to other alternatives, and to what extent microinsurance helps to smooth consumption and protect assets of the poor when smaller shocks occur.

MILK's premise is that client value and business case go together, and microinsurance cannot have one without the other. To be sustainable, products have to have fair profitability for insurers, while client value is evaluated using randomised controlled trials and Client Math methodologies.

Client Math focuses on the aftermath of a shock. It describes how clients and non-clients cope with shocks, provides insight into ways insurance is used, and explores the role insurance plays compared to and in the context of alternative coping mechanisms.

When an institution wants to determine whether a product provides client value, different tools can serve different purposes. Picking the incorrect tool can be costly. MILK uses a quiz to help institutions decide which tool – Client Math, client satisfaction studies, academic impact studies, key performance indicators, market studies, or PACE (product, access, cost and experience) – best fits their needs.

Once an institution chooses Client Math, focus groups are first used to develop and refine research questions based on the insurer's perception of value the product provides. Examples of questions that may arise are: "Does the insurance product cover the amounts and types of losses the target clients suffer?" or "How do complicated claims processes and delayed claims payments influence the value of a product?"



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43 — Barbara Magnoni, MicroInsurance Centre, USA.



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44 — Left to right:
Facilitator: Michal Matul,
ILO/Microinsurance Innovation
Facility, Switzerland; Michael
McCord, MicroInsurance Centre,
USA.

Parallel session 7
Client Math tool kit for
understanding the value of
microinsurance for clients

The questions, incorporating the context and elements of the cost and financing of the shock, help arrive at a customised Client Math survey. The survey team works closely with insurers and intermediaries to identify the sample of respondents through claims data, seeking to find the widest variety possible to get at the truth. It is difficult for clients to accurately respond to how they would have handled the shock if they did not have insurance. They tend to overestimate the role money from family, friends, and community would have played. So surveyors always contact individuals who suffered the disaster but did not have insurance to see how they fared in comparison to those that did have insurance (see Figure 14).

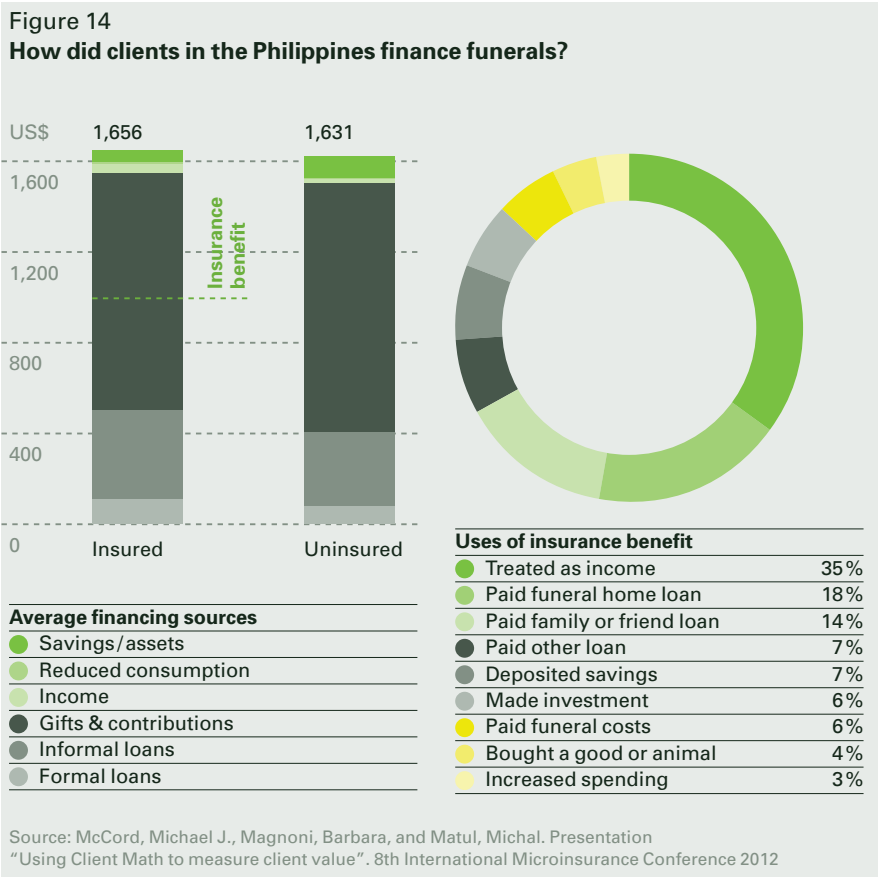
The surveying process is labour-intensive and requires patience and creativity, but the investment pays off in the quality of the data analysis and reports. Reports are drafted with the aim of reaching a broad range of audience including academics, practitioners, donors, and other industry stakeholders. They provide insights into the cost of the shock, how the shock was financed, how the microinsurance product contributed to the financing of the shock, and what clients would have done without insurance.

To date, every study has resulted in an institution making a change to its product and/or processes to add more value, confirming that Client Math is a useful tool. It ensures that client value remains a key consideration in product design and evaluation.

For more information visit www.microinsurancecentre.org/milk-project

Lessons learnt

- Client Math investigates whether or not microinsurance helps protect the poor from large shocks and smoothes income and consumption during small shocks.
- Different client value evaluation tools serve different needs, so the process of selecting the correct tool is important to avoid wasting time and money.
- Client Math looks at financial value and perceived value of a product (i.e., peace of mind) as well as service value.
- Client Math requires concentration, effort, patience, and creativity, but is of great value to the organisation.
- Each institution using Client Math has ended up making changes to add value to its product line.



Parallel session 8

Training session on process mapping for business excellence

This training session was based on the Microinsurance Centre's publication, "Process mapping for micro-insurance operations: A toolkit for understanding and improving business processes and client value", and focused on tools for optimising processes in microinsurance.

The training session comprised two parts: the theoretical introduction to process mapping, and applying the theory to two case studies. The objective was to enable participants to understand the key concepts of process mapping and its value (see Box 4), aside from taking part in a hands-on experience.

What is process mapping?

Process mapping is a tool to streamline and understand individual components of existing processes, and to design new ones. It clearly illustrates how the business is conducted, where value is added and where inefficiencies might occur. The goals of process mapping include high levels of customer satisfaction, internal transparency and traceability, and financial sustainability.

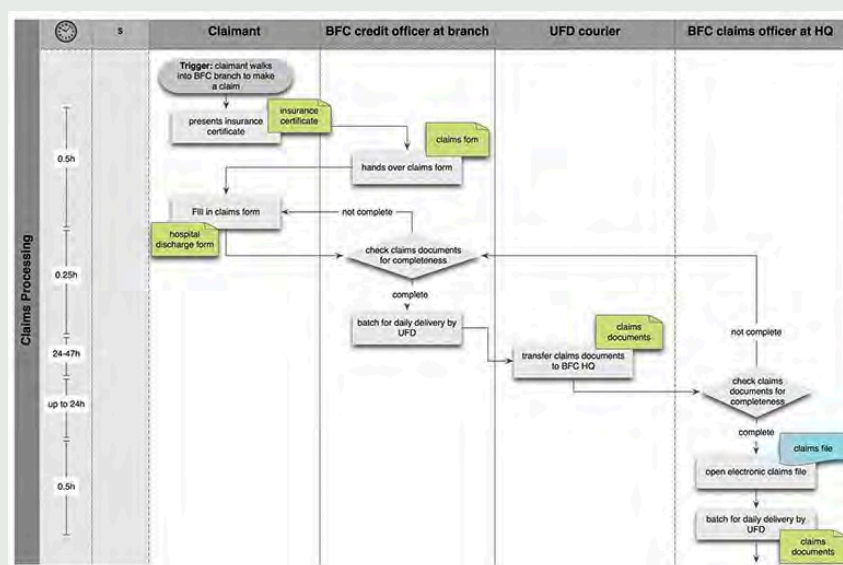
The process map is a graphic representation of tasks and procedures using symbols and arrows. A process is defined as an action that has an input at its starting point and output at its end. An example of input is filing claims, with the output being the claims payment. A precise process map shows individual steps in the process. It presents a clear picture of what happens when, how much time it takes, how much it costs, and who is responsible for each step (see Figure 15).

Box 4**Why process mapping?**

- To document how business is (or should be) done
- To understand and simplify a process
- To understand and minimise cost and time factors
- To understand and mitigate risks
- To understand and clarify responsibilities
- For training and/or communication (internal and external)
- To improve customer satisfaction
- To plan and introduce new processes

Source: The MicroInsurance Centre. "Process mapping for microinsurance operations – A toolkit for understanding and improving business processes and client value", p.8

Figure 15
Example of process map



Source: Steinmann, Roland. Presentation "Efficient business processes – Process mapping for business excellence". 8th International Microinsurance Conference 2012

Parallel session 8
Training session on process
mapping for business excellence

Creating a process map

To fully benefit from process mapping, the mapping should be embedded in a comprehensive quality management strategy or implemented by the internal audit department. The mapping should be a continuous process, not a one-off exercise.

The starting point is an “as-is” map showing how business is currently done and the end goal is the map of an optimised process: the “should-be” map (see Box 5).

When studying the process, particular attention should be given to:

- Reducing complexity – Are all process steps necessary?
- Responsibilities – Is there one person who is responsible and accountable for each step?
- Risk – Are there any loopholes in the process? Is it possible to cheat?
- Timeline – How much time do you spend where and why?
- Cost – How can costs be reduced without compromising quality?

Once all these issues have been addressed, the optimised theoretical process needs to undergo successful testing on the ground before the process mapping can be considered finished. This endpoint, however, is temporary and should be monitored and evaluated regularly as part of the practice of continuous improvement.

Box 5

Six steps of process mapping, and how Micro Star Ghana used them

1. Clarify the purpose

Micro Star assessed the current back-office systems and proposed improved ones. It analysed processes: underwriting, sales, premium collection, claims, commission payment, and renewals.

2. Create the business case, get backing from the top

Micro Star’s executive director and operations manager facilitated the preparations for mapping the different processes of the back office, and found the team very cooperative.

3. Assemble the team, structure the mapping procedure

Interviews with each team member were conducted, then crosschecking provided details.

Each process scenario was refined before drafting each process map.

Draft process maps were reviewed with the team members.

The mentor was consulted on draft process maps.

4. Outline the process and gather data

First draft of the subject maps was drawn using MS Excel; detailed feedback given by the mentor.

Continuous interviews with team members conducted, with some changing previous statements to correct conflicting details.

5. Draw a detailed map

“As-is” process maps were finalised.

Meetings with team members were held to discuss improvements to different processes.

Improved process maps were drafted

6. Finalise the map

Improved maps were reviewed with team members and the mentor consulted.

Source: Steinmann, Roland. Presentation “Efficient business processes – Process mapping for business excellence”, 8th International Microinsurance Conference 2012



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45 — Ayham Esmail,
Star Microinsurance
Services, Ghana.

46 — Facilitator:
Roland Steinmann,
MicroInsurance Centre,
Switzerland.

Box 6

Case study SAJIDA Foundation – Improving claims settlement to provide better client value

The foundation held a three-day workshop on current claims settlement processes involving all parties with a role in the claims process such as doctors, field staff, and management information system and microfinance teams.

Many participants were not aware of the different roles and time spent for each step of the claims process. They also discovered several loopholes and redundancies. For example, two people were doing the same tasks. Further, the participants realised that the most time spent was on the manual transfer of claim documents between relevant parties.

Afterwards, SAJIDA decided to improve its claims settlement process by:

1. Creating a map for claims settlement within seven days
2. Introducing a claims settlement tool to help branch managers settle claims at their respective branches
3. Introducing the electronic transfer of documents

SAJIDA ended up using the process mapping exercise for other processes, including a flowchart for a claims settlement tool outlining what will lead to approval, rejection, or referral decisions within the logic code; and claims settlement maps for death, disaster and education claims. The Foundation included these claims settlement maps in the user manual at all branches so everyone has a clear understanding of their roles and the prescribed time for each step of the process.

Source: Presentation “Efficient business processes – Process mapping for business excellence”, 8th International Microinsurance Conference 2012

Lessons learnt

The session revealed frequent challenges that analysts should address to create effective and efficient process maps:

- Process described inconsistently by different team members
- Difficulties in analysing accurate timing
- Difficulties in analysing process costs; no clear breakdown of expenses
- Same task completed several times and by different people
- Responsibilities not assigned clearly
- Multiple data entries in different systems increase workload and probability of mistakes
- Progress not tracked (i.e. completed steps of the process not monitored)
- Physical transfers and filing of documents take a long time while electronic transfers can be completed instantly

47 — Clémence Tatin-Jaleran (standing), MicroInsurance Centre, Canada, and Sawsan Eskander (not shown in this photograph), Sajida Foundation, Bangladesh were also speakers in this session.



Parallel session 10

Financial and social key performance indicators for microinsurance

How does an organisation know how good a job it is doing? It came into being with certain objectives – objectives that may primarily be financial in nature but need to be coupled with social goals to indicate its contribution to the community.

In 2006, the Microinsurance Network undertook to develop a set of financial performance indicators. Working with a group of practitioners, it identified ten indicators of financial well-being. In the process, it became apparent that five of these key performance indicators (KPIs) had a social component too. So, in 2010, the Network started helping practitioners design a companion set of social performance indicators. As a result, five more indicators have now been added to the four also included in the financial set – to monitor, improve, and champion social performance. This session combined financial and social performance indicators in one training exercise for the very first time.

Practitioners who developed the indicators acknowledge that the primary goal of microinsurance is to provide risk mitigation techniques specifically for the poor, and the key performance indicators represent a sector-wide consensus that microinsurance also needs to be fair and transparent. The use of KPIs and other tools developed to measure client value will ultimately build a stronger and fairer industry.

Similar to a car's dashboard, the KPIs show whether various components of the product are operating efficiently and providing clients and the community with value.

It is difficult to know and understand how an insurer is truly doing just by looking at its balance sheet and profit and loss statement. KPIs help to highlight exactly what areas are important and require further investigation. KPIs provide a first, basic idea of how an insurer is performing, but should by no means be viewed as the only indicators an insurer should calculate. Insurers are encouraged to add more indicators relating to their specific scheme so that they can look more closely at it.

Figure 16
Social performance framework for microinsurance

	Dimension	Principles	Guidelines	Indicators
Product specific	Product value	The product provides the client with appropriate and effective risk coping mechanisms	<ul style="list-style-type: none"> Client needs are assessed during the product development stage Client feedback is monitored to enable regular improvements Improvements are designed to add value for clients 	<ul style="list-style-type: none"> Incurred claims ratio* Renewal ratio* Promptness of claims ratio*
	Client protection	The insured are treated fairly and respectfully	The microinsurer ensures: <ul style="list-style-type: none"> Transparency of all client information Fair and respectful treatment of clients Privacy of client data Mechanisms for complaint resolution exist Based on Smart Campaign guidelines.	<ul style="list-style-type: none"> Claims rejection ratio* Complaints ratio
	Inclusion	The product aims to include the less privileged	<ul style="list-style-type: none"> Physical, financial and educational obstacles are reduced Exclusion criteria are reduced The socio-economic profile of clients is monitored 	<ul style="list-style-type: none"> Coverage ratio* % insured under the poverty line % female insured % insured above retirement age Social investment ratio
Institution specific	Socially responsible management	The microinsurer's institutional system enables socially responsible management	<ul style="list-style-type: none"> Social mission and goals are defined The board, management and employees are committed to the social mission External and internal social audits are conducted Employees are treated responsibly Based on the Microfinance Universal Standards for Social Performance Management.	

Source: Social performance indicators for microinsurance – A handbook for microinsurance practitioners". ADA, BRS, GIZ, Grameen Crédit Agricole Foundation, 2013

* Extract from the financial KPIs

Table 4
The four categories of financial performance indicator

Category	Indicator
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

Source: Opdebeeck, Bert and Hennig, Jennifer. Presentation "Key performance indicators for microinsurance". 8th International Microinsurance Conference 2012.

Using the balance sheet and the historical data of a fictitious insurance company, presenters led participants through calculations and analyses of several KPIs.

As they completed the calculations and began sharing their observations, it quickly became evident that knowing how to interpret the indicators is just as important, if not more so, as understanding how to calculate them.

When interpreting calculated KPI ratios and values, the point to keep in mind is the context in which the data has been collected, to see what outside factors might be influencing the ratios. For example, the country in which the fictitious insurance company was based experienced violent riots one year, resulting in five times the usual number of claims. This greatly affected the promptness of claims settlement ratio but, because of the riots, the year was atypical, and not a cause for alarm.

Other ratios, such as the ones for complaints and claims rejection, encourage insurers to investigate ways in which they can increase customer satisfaction, client education and awareness, and ensure products are providing value.

Each KPI offers an opportunity for insurers to get to know their business, products, and clients better.

While performance indicators can sometimes be compared across companies, it was emphasised that no benchmarks can easily be set for such a comparison in the microinsurance sector. Products and target markets are so different that an acceptable ratio for one would be off the mark for another. Therefore, it is better for microinsurers and institutions utilising KPI methodology to track calculations over time, and set internal goals.

48 — Bert Opdebeeck (standing), BRS – Belgian Raiffeisen Foundation, Belgium, working with participants.

49 — Jennifer Hennig (standing), GLZ, Germany, interacting with a working group.



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Parallel session 10

Financial and social key performance indicators for microinsurance

KPIs help insurers and practitioners get a better view of, and manage, a scheme by providing a dashboard so that they know where they are and where they are going. It is important to remember that, as with any analysis, one needs to have a balanced view – in this case between financial and social performance. Focusing only on one set of indicators may be counter-productive – as it may be at the expense of the other set. As microinsurance targets low-income people, the right balance between financial and social objectives is all the more significant. A microinsurer can meet and maintain social performance standards only if it can be sustained financially as a viable business. And its financial success cannot count for much if it neglects social performance.

Since properly calculating and interpreting KPIs is so important, three-day interactive workshops are offered to help the financial decision-makers of microinsurance programmes make the most of the framework and indicators. The workshops focus on financial statements for microinsurance and the understanding and usage of the KPIs for management decisions. For more information, visit www.microfact.org.

Lessons learnt

- Social and financial key performance indicators can help insurers diagnose operating inefficiencies, identify opportunities for adding client value to products, and make better informed management decisions.
- Looking for trends over time, combining indicators to see impact, and identifying potential cause-and-effect relationships are all ways of maximising the value of KPIs.
- All KPI indicators are intertwined and connected, and making decisions based on one indicator will have an influence on other indicators.
- Used in tandem, the two sets of KPIs will help microinsurers keep a balanced view of social and financial performance.

For KPI implementation, tailored assistance including on-site support is available. There is an online resource centre for requesting help: www.microfact.org

Agenda

Day 3 morning sessions 8 November 2012

Parallel session 11	Parallel session 12	Parallel session 13
Technology	Health	Agricultural microinsurance – The index insurance experiment
<p><u>Peter Gross</u> Business Development Manager – Africa, MicroEnsure, Kenya Replacing the agent: Mobile technology for scale and quality</p> <p><u>Premanand Ponnuswamy</u> Team Leader, DHAN Foundation, India Large-scale microinsurance literacy and service delivery through ICT</p> <p><u>Jack Kionga</u> Assistant General Manager, CIC Life Assurance Ltd, Kenya The role of mobile technology in microinsurance offerings in Kenya</p> <p>Facilitator <u>Pranav Prashad</u> Microinsurance Officer, ILO/Microinsurance Innovation Facility, Switzerland</p>	<p><u>Jose Muralles</u> Sole Administrator, Empresa Promotora de Servicios de Salud, Sociedad Anónima, Guatemala Health at your fingertips with Banrural</p> <p><u>C. John Pott</u> Independent Consultant to ILO, USA A call for action-value-added services</p> <p>Facilitator <u>Thierry van Bastelaer</u> Principal Associate, Abt Associates, USA</p>	<p><u>Rose Goslinga</u> Programme Officer, Syngenta Foundation for Sustainable Agriculture, Switzerland Redesigning and packaging crop insurance to ensure commercial success, lessons from Kenya</p> <p><u>Munaye Makonnen</u> Microinsurance Program Officer, Oxfam, USA Building index insurance with farmers to meet farmers' needs: A perspective from Ethiopia</p> <p><u>Mathieu Dubreuil</u> Chef Projet Assurance Récolte Sahel, PlaNet Guarantee, Senegal Index insurance in West Africa: The experience of the first regional management platform</p> <p>Facilitator <u>Dan Osgood</u> Lead Scientist, International Research Institute for Climate and Society (IRI), USA</p>
Parallel session 14	Plenary 3	
Proactive market development approaches	How to provide sustainable insurance for low-income farmers	
<p><u>Antonis Malagardis</u> Program Manager, GIZ, Philippines Improving value for clients and consumer protection – A case of public-private partnership in developing prototype products</p> <p><u>Pedro Bulcao</u> CEO, SINAF Seguros, Brazil Opportunities and barriers of microinsurance development in Brazil from the insurers' perspective</p> <p><u>Barry Maher</u> ILO Microinsurance Fellow, Pacific Financial Inclusion Programme (PFIP), Fiji Rooting and growing micro- insurance in the Pacific</p> <p>Facilitator <u>Brigitte Klein</u> Head of Sector Project – Financial System Approaches to Insurance, GIZ, Germany</p>	<p>Introduction <u>Daniel Clarke</u> Departmental Lecturer, University of Oxford/World Bank, UK State of agricultural insurance for low-income farmers</p> <p>Video message from farmers: Why did they buy insurance, why did they not buy</p> <p><u>Satish Pillarisetti</u> Chief General Manager, National Bank for Agriculture and Rural Development (NABARD), India Weather-based agricultural microinsurance through partner- ship mode: A case study from the Indian state of Maharashtra</p> <p><u>Joachim Herbold</u> Senior Underwriter, Munich Reinsurance Company, Germany Index-based agricultural insurance in developing economies – Separating fact from fiction</p>	<p><u>Carlos Arce</u> Agricultural Risk Management Team of the World Bank, USA</p> <p><u>Shadreck Mapfumo</u> IFC – Global Index Insurance Fund, USA</p> <p>Facilitator <u>Dirk Reinhard</u> Vice-Chairman, Munich Re Foundation, Germany</p>

Parallel session 11 Technology

This session addressed two key questions on technology as a catalyst for scale:

- How can technology offer better client value?
- How can technology improve the business case across the value chain?

Replacing the agent

It is not possible to reach a billion customers across Africa with agents, so it is necessary to look elsewhere to deliver to the mass market.

MicroEnsure introduced free micro-insurance with the service of telephone company Tigo in Ghana, Tanzania and Senegal. Through this distribution channel, it gained a million clients in 14 months. It then leveraged this client base by offering clients the opportunity to double their insurance protection for US\$ 1.

It has now expanded its range of mobile insurance products in Africa.

Tigo Bima, Ghana, Tanzania, Senegal

Number of people insured
One million

Insured risks and premiums
Hospital (paid by airtime), US\$ 0.40–6.20 per month;
life (paid by airtime), US\$ 0.90 per month; life (loyalty-based), paid by telco, not made public

MiLife, Ghana

Number of people insured
25,000

Insured risks
Life

Premium
US\$ 0.35–6.00 per month

yuCover, Kenya

Number of people insured
15,000 in the first three weeks

Insured risks
Life, disability

Premium
Paid by telco, not made public

The embedded product needs to benefit all the entities in the value chain. Commission is not enough, and does not allow you to make use of the telephone company's brand. It is necessary, rather, to align with the aims of the company. For example, YuMobile is hungry for market share.

The product is not underwritten by a traditional underwriter, but MicroEnsure has not found this necessary: scale covers a multitude of sins! There is no need to combat anti-selection with a free product. And while the market is still new, fraud is not yet an important issue. Bad experiences are a far bigger risk to the product than fraud.

Large-scale microinsurance literacy

Microfinance is the backbone of all Dhan Foundation's work in India, and microinsurance is an important part of its microfinance programme. Its work is supported extensively by low-cost and sustainable ICT (information and communication technology), for example, in monitoring and evaluation, management systems and client education.

It developed its social security software specifically for microinsurance. Its aim was to take government and commercial microinsurance products and make them suitable for the people by filling any gaps.

For example, Dhan saw a need for weather insurance in the community, but there was no automatic rain gauge. So it developed a simple model using GPS technology. This solution, developed in the mutuals sector, has now become mainstream.

Dhan also uses ICT for financial inclusion through consumer education. It provides an online course, complemented by a chat facility, for both clients and field workers. In addition, it trains women in the villages so that they can manage computer centres to extend access to ICT in situations where households do not own computers. It found that a combination of conventional literacy methods and e-learning brought down costs and was more results-orientated than a purely conventional approach.



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50 — Left to right:
Jack Kionga, CIC Life Assurance Ltd, Kenya; Premanand Ponnuswamy, DHAN Foundation, India; Peter Gross, MicroEnsure, Kenya.

51 — Facilitator:
Pranav Prashad, ILO/Micro-insurance Innovation Facility, Switzerland.

The role of mobile technology in microinsurance offerings in Kenya

Mobiles and mobile money have experienced rapid expansion, with mobile money becoming a way of life in Kenya (see Figure 17). This is opening the door for microinsurance.

CIC began delivering an affordable savings product with a natural death cover. It chose to use mobile money rather than airtime as its payment method because it wanted to couple its insurance product with savings, and the telephone companies felt that selling savings through airtime would compete with their core product.

Jijenge Savings Plan

Insured risks

Natural death claims subject to a six-month waiting period

Premium

Weekly instalments of
KES 140 (US\$ 1.64)

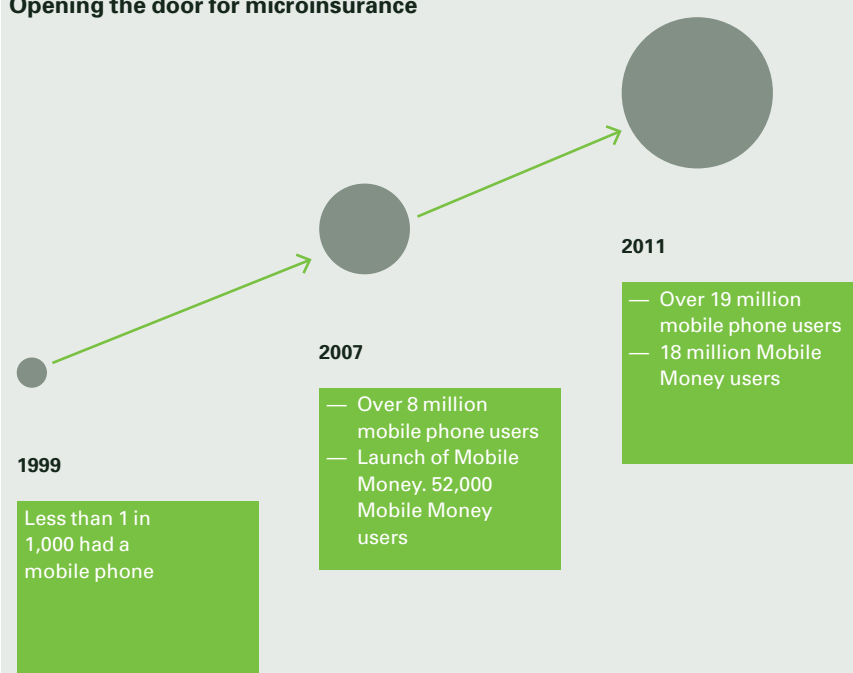
The entire process revolves around mobile use. For example, enrolment uses mobile data capture, and the agent enters all details directly on a mobile phone. Kenya has 50,000 mobile phone agents, so CIC decided to incentivise these mobile agents to have people subscribe to the product. Furthermore, mass media were used to create a strong first impression.

However, although this approach was successful in creating initial excitement, the systems struggled to cope with the large number of new enrolments. CIC found that it needed to segment its market properly to really understand what was driving the target market. It found that people were motivated to buy the product as they found it a very convenient way to save, particularly since there are no transaction costs. Constant customer engagement is also needed to reduce the lapse rate

Lessons learnt

- Technology is not a panacea and must be approached as a means to an end, and not an end in itself.
- It can, however, enhance client value, particularly through efficient client education and claims payment.
- In addition it can greatly enhance the viability of microinsurance through scale and efficiency.
- The strategy for retail voluntary products must be different from that for group/compulsory products. Constant engagement with clients is critical to sustain interest and gain persistency.
- Start with one simple product and develop gradually. Manage perceptions: bear in mind that the product will be compared with bank savings products.
- Heavy spending will be necessary at the start, with careful monitoring of results throughout.

Figure 17
**Mobile penetration in Kenya:
Opening the door for microinsurance**



Source: Kionga, Jack. Presentation "The role of mobile technology in microinsurance offerings in Kenya". 8th International Microinsurance Conference 2012

Parallel session 12

Health

This session addressed value-added services (VAS) in health microinsurance. Outpatient care may not be very insurable and too expensive. But if outpatient care is ignored, in-patient care may go up, as people will prefer in-patient care for diseases that could have been solved by cheaper outpatient care. By offering outpatient care, more expensive in-patient care can be prevented.

VAS in health microinsurance

VAS are aimed at enhancing the value to clients of a basic insurance product (in this case in-patient hospitalisation), and providing the prospect of business savings for the insurer through higher renewal rates and earlier outpatient visits (which can lower in-patient claims).

Why is there a need for VAS? Uptake and renewals of voluntary in-patient schemes have traditionally been disappointing in most countries; people demand, and place greater value on, assistance with outpatient care. Family outpatient expenses occur relentlessly year on year, whereas a hospitalisation episode occurs on average some eight or nine years into the future, significantly beyond a low-income family's financial horizon.

Moreover, there are also the poverty aspects of illness; ill-health episodes are the single most important cause of descent into poverty. In 2010, 6.2% of low-income families in India fell into poverty because of health expenditure associated with year-on-year outpatient costs. This was almost three times the percentage falling into poverty because of hospitalisation costs. Most worrying, medicines are the single most important component (70%) and driver of year-on-year impoverishing outpatient costs.

In order to meet this demand while at the same time ensuring schemes remain affordable for the insurer, insurance companies are experimenting with VAS to find out what elements of free outpatient coverage they can add to enhance client satisfaction with a core hospitalisation insurance product.

Research sponsored by the International Labour Organization (ILO) investigated 20 schemes that were trying to add VAS or were planning to do so in the future, including some examples leveraging off wireless technology. By adding outpatient services there could be a win-win situation because more clients will want to enrol and access the added outpatient services, so that claims can possibly be reduced.

There are several examples of VAS: free dial-a-doctor call centres, a limited number of free outpatient visits per year, access to low-cost/discounted medicines, health camps and health education programmes.

The two value-added services with the most potential are probably the dial-a-doctor service and discounts on medicines. Although the quality of doctors and nurses that answer the phone and their reliance on algorithms led to some questions.

There are also possibilities of working with a capitation fee, which can prevent financial stress, reduces the number of financial transactions and can include both in-patient and outpatient care. Some schemes are experimenting with such fees.

There is a need to do research on the effects of interventions like dial-a-doctor on in-patient care and claims. However, most VAS have developed organically, making it difficult to separate the different effects.

1.1 Salud a su alcance**EPSS**

Number of people insured
2.5 million
(18% of entire population)

Insured risks
Outpatient care

Premium range
US\$ 3 per family per month



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52 — John Pott, Independent Consultant to ILO, USA.



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53 — José Muralles, Empresa Promotora de Servicios de Salud, Guatemala.



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54 — Facilitator: Thierry van Bastelaer, Abt Associates, USA.

A Guatemalan company founded in 2003 called Empresa Promotora de Servicios de Salud (EPSS) has the aim of providing high-quality health-care at affordable prices for the poor. It is a profit-driven company, but with the social goal of providing value-added services for health to low-income groups.

EPSS and Bank Rural built an alternative structure of medical services. The strong element of the programme is its alliance with a bank. The relation with the bank is twofold: the bank sells the product and receives commission and the bank subsidises the treatment of its clients. The product is the loan; the VAS is first-level primary care. The people covered for outpatient services are the members of the client's family (some five to six).

Clients of the bank can access the scheme alongside their bank account or loan. The scheme works as follows: people can dial a call centre (free of charge) which connects them to a doctor in their area. Doctors on call are paid, and include general practitioners, paediatricians and gynaecologists. At pharmacies, clients can purchase quality medication at reasonable prices. Monitoring the quality of the programme is an integral part of the scheme.

The product is self-sustainable: the average loss ratio is 45–55%. Clients do not get any form of subsidy. The retention rate is 60% and insurance is voluntary.

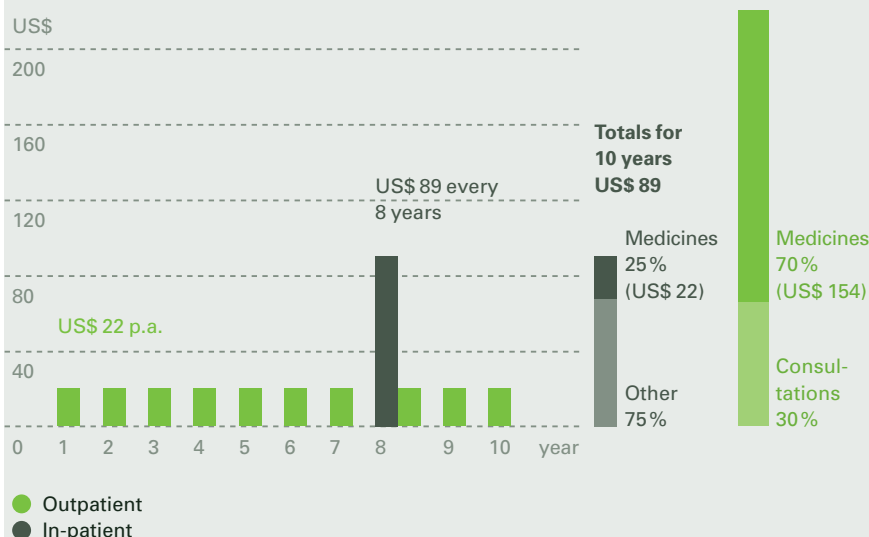
The product has been developed in the context of bad services provided by the government. Private insurance is filling in the gap until the government can offer universal coverage. The goal should always be to have universal insurance. The founder of EPSS is having discussions with the government on what can be done in the future.

Lessons learnt

- People demand outpatient care.
- Value-added service can provide some outpatient care while keeping the scheme affordable.
- There are innovative ways of providing VAS.
- The example of EPSS in Guatemala has shown that such a scheme can be self-sustainable without donor support.
- The ultimate goal should be universal coverage managed by the government; in the meantime, microinsurance has a role.

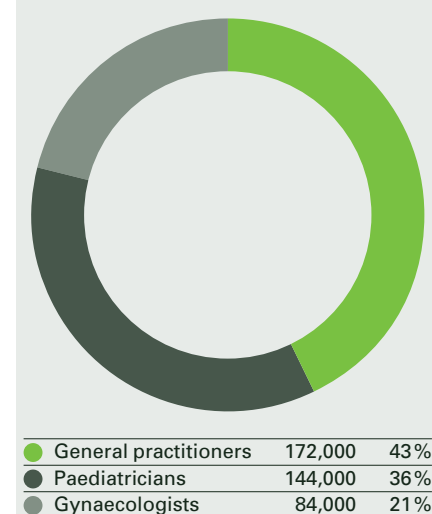
Figure 18
Explanation of the preference of outpatient to in-patient coverage
Value-added services in health microinsurance – Why the preference?

Longitudinal comparison of IP costs and OP costs
(Estimated average for low-income family in India)



Source: Pott, C. John. Presentation "Value-added services (VAS) in health microinsurance". 8th International Microinsurance Conference 2012

Figure 19
Results of the scheme
Medical services provided



In ten months, 70% of families have been using the service.

Source: Muralles, Jose. Presentation "Salud a su alcance". 8th International Microinsurance Conference 2012

Parallel session 13

Agricultural microinsurance –
The index insurance experiment

This session looked at different strategies on how to successfully provide agricultural index insurance schemes, and how to scale them up from small pilot projects to commercially viable models. Case studies across Africa portrayed three of these strategies.

Redesigning crop insurance in Kenya for commercial success

The Syngenta Foundation's Kilimo Salama product has evolved over the last three years, now insuring some 64,000 farmers in Kenya and Rwanda.

Besides reliable and broad distribution channels, customer care and robust data sources, Syngenta Foundation believes that a key element of its success is continuously improving and adapting its product to meet the needs of the farmers.

A key product feature is the ability to provide early pay-outs to farmers. Such early pay-outs, made possible by triggers in index insurance, give farmers the chance to replant during the ongoing season and benefit from the new harvest. It was found that the product improved if the goal of the product development team was to insure a harvest rather than only providing compensation for lost crops. In 2012, Syngenta Foundation made early pay-outs to over 6,700 smallholder farmers (see Figures 20 and 21). It also provided in-kind support in the form of US\$ 350,000 worth of fertilisers and seeds.

The frequent and early pay-outs contribute significantly to educating farmers about the product, meeting their expectations of it and building trust by helping them recover as fast as possible. These client-centred efforts have resulted in a high retention rate.

A regional approach to index insurance in West Africa

PlaNet Guarantee started developing index insurance in West Africa in 2009 and is now focusing on a regional strategy, *Assurance Récolte Sahel* (ARS). The strategy will be implemented in seven francophone West African countries over five years.

The aim of ARS is to reduce variations in farmers' incomes to prevent the deterioration of their living conditions, to contribute to more secure financing mechanisms for agriculture, and to improve food security.

A regional strategy seemed appropriate since the entire region had similar characteristics, such as landscape and low farming density. It is also a way of spreading risk across several countries, particularly as some are involved in political conflicts.

Further, it would not be possible to set up a sustainable business model covering only one or two countries. This approach allowed similar products, marketing strategies and tools, and economies of scale, and required an efficient team with the right technical skills.

Kilimo Salama: Lessons learnt

- Explore unconventional data sources. For example, health organisations often collect weather data, given its relevance to malaria.
- Spend time with clients and educate them about the product to earn their trust.
- Successful distribution channels and aggregators are companies directly related to agricultural activities such as distributors of seeds and fertilisers.
- Index insurance facilitates fast and early pay-outs so that farmers can quickly focus on continuing their business activities.

ARS: Lessons learnt

- Mind the huge challenge of moving from education to marketing, and from pilot project to business.
- Microfinance institutions are interested in distributing the product as an additional financial service and in limiting their credit risk, whereas cooperatives focus on improving access to credit.
- Farmers are aware that they need risk management tools but take-up is mostly voluntary and very slow.
- Working with aggregators is crucial for scaling and keeping costs under control; exploring the use of new technology can improve efficiency with limited investment.



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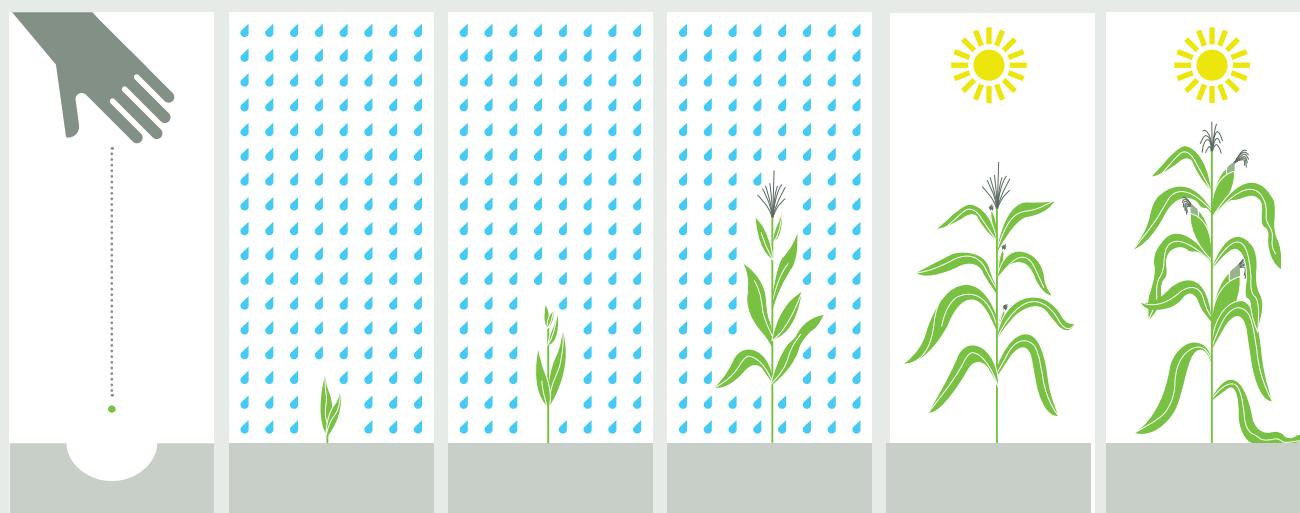


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55 — Left to right:
Rose Goslinga, Syngenta
Foundation for Sustainable
Agriculture, Switzerland;
Mathieu Dubreuil, PlaNet
Guarantee, Senegal.

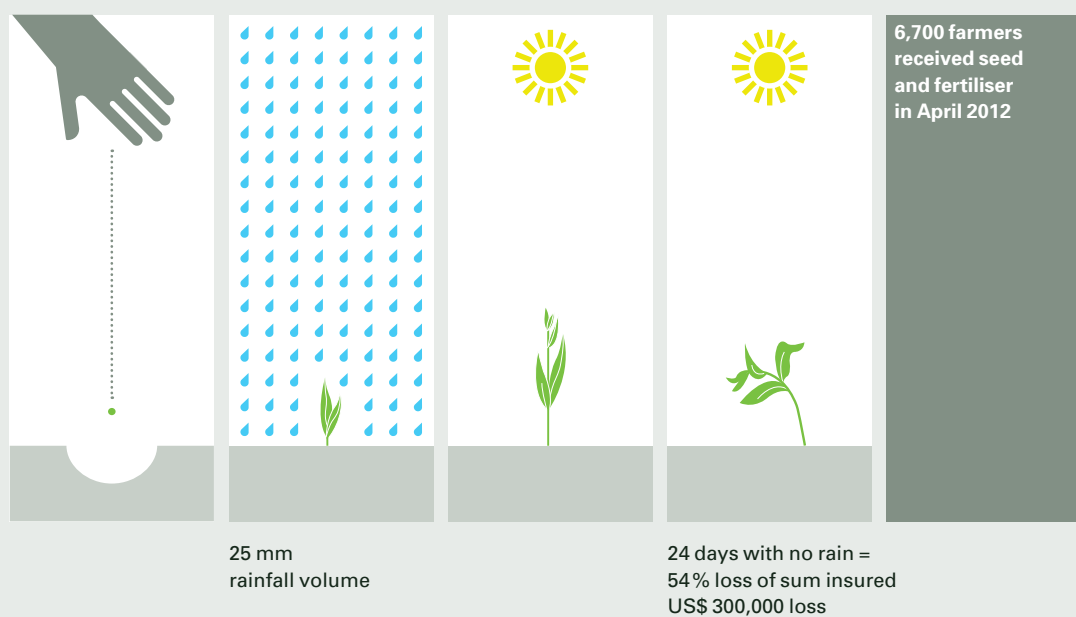
56 — Munaye Makonnen,
Oxfam, USA.

Figure 20
Rainfall requirements for a good yield



Source: Goslinga, Rose. Presentation "Repackaging and redesigning index insurance".
 8th International Microinsurance Conference 2012

Figure 21
Example of early pay-out
Western Kenya 2012



Source: Goslinga, Rose. Presentation "Repackaging and redesigning index insurance".
 8th International Microinsurance Conference 2012

Parallel session 13
Agricultural microinsurance –
The index insurance experiment

**The Horn of Africa Risk Transfer
for Adaptation (HARITA)**

The Horn of Africa Risk Transfer for Adaptation (HARITA) project is a holistic risk management model involving risk reduction, insurance and credit (see Figure 22).

The risk reduction component includes an insurance-for-work mechanism, where farmers can work on disaster risk reduction activities such as spate irrigation, micro-gardening and composting for soil fertility, instead of paying the insurance premium in cash. The purpose for these activities is three-fold:

- Help farmers adapt to climate variability and change.
- Provide long-term benefits, even in the absence of a pay-out.
- Enable the poorest farmers to pay their premiums through labour.

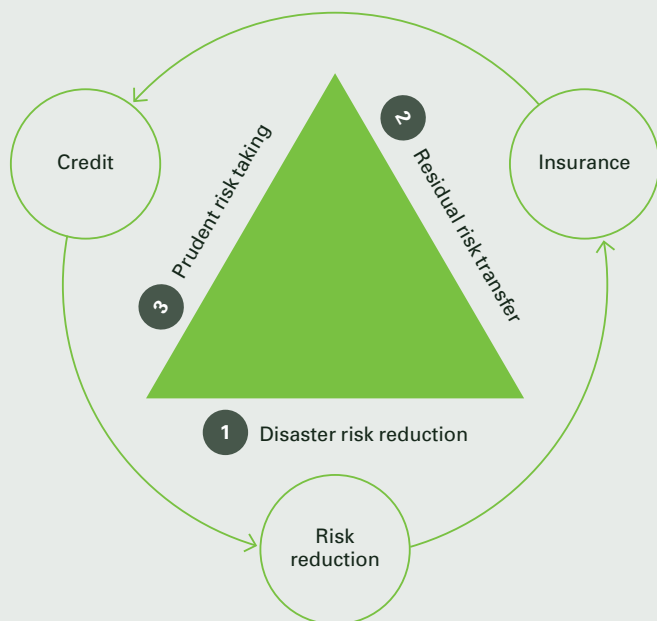
The weather index insurance is the risk transfer element of the project and protects farmers from low rainfall and drought. Two options of insurance are available and farmers have shown a clear preference for the more expensive insurance cover with a higher pay-out frequency.

The prudent risk-taking aspect of the project includes improved access to credit, as insurance lowers credit risk. This enables farmers to invest in higher-risk, higher-return activities. Savings allow farmers to cope with individual risks without relying on comprehensive insurance coverage because they can self-insure against smaller shocks.

HARITA: Lessons learnt

- HARITA is not an insurance project, but an adaptation project to build resilience to weather risks. Weather index insurance, as a risk transfer instrument, is an integral part of this holistic risk management approach.
- The insurance-for-work mechanism requires farmers to pay 10% of the premium in cash and up to 90% in labour. This has left a significant financial gap.
- Encouraging trends include higher fertiliser uptake from those insured, increased use of improved seeds, higher yield in some insured villages, and increased household-level savings and borrowing.

Figure 22
HARITA conceptual framework
Holistic risk management



Source: Makonnen, Munaye. Presentation "The Horn of Africa Risk Transfer for Adaptation (HARITA) Project/R4". 8th International Microinsurance Conference 2012

57 — Facilitator:
Dan Osgood, International
Research Institute for Climate
and Society (IRI), USA.



Parallel Session 14

Proactive market development approaches

Landscape studies show that micro-insurance has grown exponentially in recent years, but growth has not occurred evenly across the globe. There still remain many undeveloped markets, and factors contributing to the lack of development are as diverse as regions themselves. This session introduced three cases of proactive market development, all of which confronted the issues facing their respective markets, and in doing so, successfully tapped the opportunity for financial inclusion.

A public-private partnership

The first case provided insights into how regulatory framework and policy reform can drive private-public partnerships and market development.

In 2009, the Philippines began creating a microinsurance regulatory framework, to improve value for clients and provide consumer protection (see Figure 23). The process was part of a larger national strategy for the promotion of microinsurance and encouraging participation of stakeholders in both the public and private sectors.

A financial literacy campaign was launched to educate members of nine stakeholder groups it had identified. The campaign successfully delivered tailored messages to 2,500 members across each group in the microinsurance market.

In addition to creating the regulatory framework and financial literacy campaign, the Philippines developed an alternative dispute resolution framework and product prototypes. The innovative framework combines mediation and conciliation techniques to resolve disputes swiftly and efficiently. The prototypes facilitated fast product approvals by regulators and encouraged insurers to create products of their own.

Figure 23
Microinsurance policy reforms in the Philippines
Effectively institutionalised value for clients and consumer protection

Alternative dispute resolution framework

Magpaseguro para protektado: A roadmap to financial literacy on microinsurance

National strategy

Regulatory framework

Source: Malagardis, Antonis. Presentation "Improving value for clients and consumer protection – A case of public-private partnership in developing prototype products". 8th International Microinsurance Conference 2012

58 — Left to right:
Barry Maher, Pacific Financial Inclusion Programme (PFIP), Fiji;
Pedro Bulcao, SINAF Seguros, Brazil;
Antonis Malagardis, GIZ, Philippines.

59 — Facilitator:
Brigitte Klein, GIZ, Germany.



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Parallel Session 14
Proactive market
development approaches

Today, eight million clients are covered by microinsurance in the Philippines, demonstrating that encouraging broad participation from the public and private sectors early on can lead to successful market development (see Figure 24).

Growing despite tough regulation, the second case outlined challenges and opportunities in the expansion of microinsurance in Brazil, and the critical role regulation has played in market development.

In the last 20 years, Brazil’s economically active population has grown by 40 million, resulting in an enormous increase in the number and earning capacity of consumers, particularly in low-income communities. Microinsurance has benefited from this new segment of consumers, with life and accident covers growing fastest.

Despite this market growth, 80% of all insurance is offered through banks, largely owing to favourable regulation and established delivery channels. Historically, the growth of microinsurance has been severely hindered by a tough regulatory framework. Recently, a new micro-insurance regulation framework was developed after a deeply engaged stakeholder process.

The process successfully brought together insurers to discuss their businesses and experiences in a way never done before. The resulting regulation has so far not facilitated market growth as expected. But Brazil continues to overcome capital requirement and distribution challenges, and serves as an example of a microinsurance market that can achieve growth despite an unfavourable regulatory environment for non-bank insurers.

The third case covered experience of the Pacific Financial Inclusion Programme (PFIP) in developing the microinsurance market of Fiji. PFIP’s strategy is to seek out new ways to introduce financial services to hard-to-reach populations.

Fiji’s challenging geography (332 islands, 500 islets), poor infrastructure (remote islands only accessible by boat every 3–6 months), and high poverty rate (over one-third of the total population) have all contributed to its having one of the lowest financial literacy rates in the Pacific. A three-pronged approach to financial education was taken, and included capacity building with regulators, providers, and clients.

With regard to product development, no previous insurance market knowledge existed. A demand side study was completed, and revealed that a funeral product would be most useful to clients, as the social obligations associated with a funeral can cost individuals up to 50% of their annual income.

PFIP facilitated relationships between distribution channels, insurers and regulators from an early stage of product development, which helped avoid breakdown of the partnerships, and ensured the understanding of everyone’s role and responsibility.

Figure 24
The policy reforms have employed inclusive processes and public-private collaboration



Source: Malagardis, Antonis. Presentation “Improving value for clients and consumer protection – A case of public-private partnership in developing prototype products”. 8th International Microinsurance Conference 2012

Product development was driven by the two community-based and two faith-based organisations that would serve as distribution channels. This gave them ownership and an incentive to drive sales. Product proposals were sent to insurers, prices and costs reviewed and a provider selected – as part of the overall strategy (see Figure 25).

While a financial inclusion event held three months after the product launch helped to boost sales and consumer knowledge, lack of financial literacy and of an insurance culture remain significant obstacles to future growth in Fiji. Meanwhile, PFIP has demonstrated that markets with little insurance knowledge and low financial literacy can be viable candidates for microinsurance development.

Lessons learnt

- Market development requires a strong political will and sustained leadership of the regulatory agencies.
- Coordination among support groups such as development organisations active in a country will increase the yield on invested effort.
- Small gains lead to bigger milestones. Have patience and invest in the process.
- Engaging stakeholders from both the public and private sectors early on can greatly help in the development of regulatory framework, financial literacy campaigns, and product prototypes that facilitate market development.
- Bringing together insurers to discuss their businesses and share their experiences in microinsurance can help regulators create policies that promote microinsurance.
- Do not underestimate the impact that logistics and accessibility to clients will have on the successful implementation of financial literacy campaigns and microinsurance products.

Figure 25
Microinsurance strategy



Source: Maher, Barry. Presentation "Rooting and growing microinsurance in the Pacific".
8th International Microinsurance Conference 2012

Plenary 3

How to provide sustainable insurance for low-income farmers

This plenary session dealt with the state of agricultural insurance for the poor and how its shortcomings may be addressed.

Agriculture is the main source of poor people's income and employment in most developing countries. To protect them from its covariate risks – most of all weather – many pilot projects for formal insurance undertaken since the early 1970s have produced mixed results. With traditional, indemnity-based approaches to crop insurance proving unsustainable, most pilots offered index insurance that promised smallholder farmers low-cost protection against key perils, while involving no moral hazard for the insurer.

What providers have learnt from agricultural microinsurance pilots

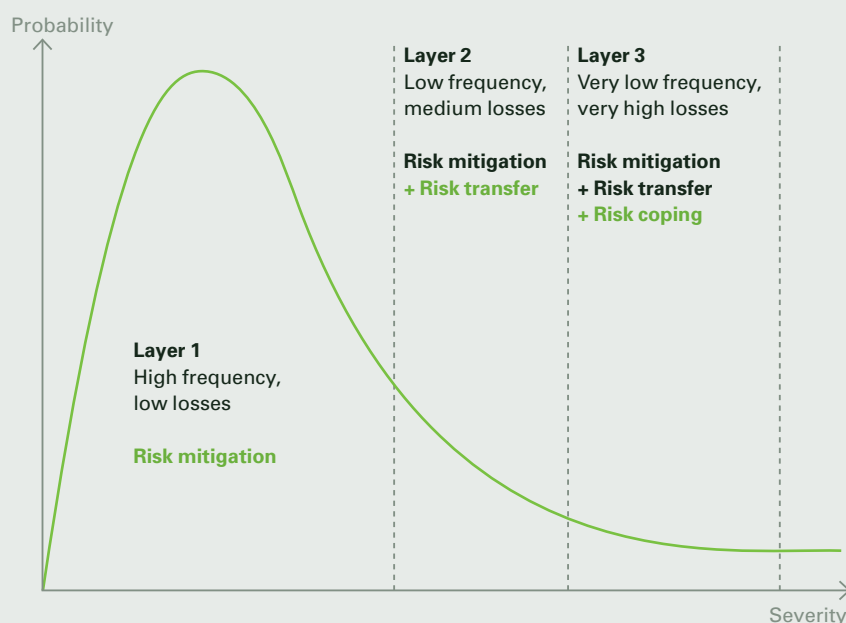
1. Agricultural insurance is not a complete solution to agricultural risk.

Given the high costs of formal insurance, it makes more sense to insure the extreme, low-probability shocks and, for the less extreme but frequent shocks, retain part of the risk, using savings, credit or even risk-sharing with family and friends (see Figure 26).

2. Public sector roles are critical for sustainable scale-up.

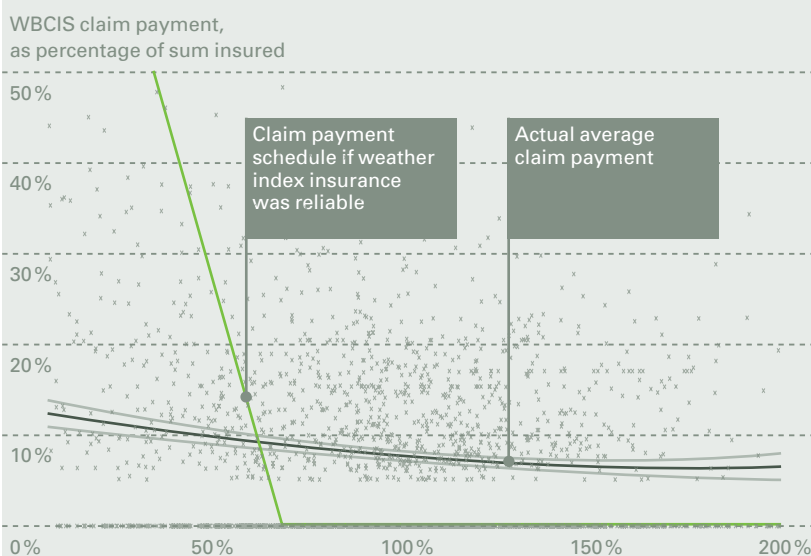
Although many pilots have focused on the role of the private sector, the successfully scaled-up programmes have typically been private-public partnerships. Government's role is critical in creating the enabling risk market infrastructure which scale-up requires. And many aspects of agricultural insurance are *natural monopolies*, like data collection for reliable, high-quality indices.

Figure 26
Agricultural insurance is not a complete solution to agricultural risk



Source: Clarke, Daniel. Presentation "State of agricultural insurance for low-income farmers". 8th International Microinsurance Conference 2012

Figure 27
Subdistrict average yield, as percentage of average historical yield 1999–2007



Source: Clarke, Daniel. Presentation "State of agricultural insurance for low-income farmers". 8th International Microinsurance Conference 2012

A good example of the positive involvement of the public sector is the National Agriculture Insurance Scheme (NAIS) of India, the world's largest crop insurance programme, which has covered 192 million farmers since its inception in 1999. This public-private partnership involves a long-term commitment, large subsidies, and coordinated investment in infrastructure for weather stations and remote sensing data. Piloted to scale-up, the scheme is compulsory for borrowing farmers, and has had substantial involvement from the private sector since 2007.

3. Farmers want reliable protection.

Low trust, exclusions/"small print" and risk of insurer default are the main reasons why policyholders do not believe that their insurance will pay when they need it. If the product is index insurance, yet another reason goes on this list: basis risk, that is, the risk that the claim payment does not match the farmer's loss.

4. Weather index insurance does not (seem to) offer reliable protection to farmers.

There is currently no convincing statistical evidence from any programme suggesting that weather index insurance can be relied on to pay in years that are bad for small-holder farmers.

This is borne out by an analysis of nine years and yield data for 318 index insurance products sold in an Indian state (see Figure 27).

The correlation between area average yields and indexed claim payments is only -13%. This low correlation can be explained by the fact that perils other than weather-related can cause catastrophic losses. Besides, the behaviour of the farmer is difficult to capture for modelling purposes – and long-term data (30 years?) is often not available for proper model calibration.

Box 7

A case study in partnership from Maharashtra

Although Maharashtra is a highly industrialised state in India, and the richest, agriculture continues to be the main occupation of the state. Two agricultural insurance schemes are at work there: the National Agriculture Insurance Scheme (NAIS) and the Weather-Based Crop Insurance Scheme (WBCIS).

NAIS was set up in 1999 and has since covered more than 192 million farmers. This scale is the result of linkages with banks and credit. Bank branches and credit cooperatives are enthusiastic participants; they automatically deduct the premium from loan payments and send it to the insurance company. The scheme is subsidised by the government. There is some dissatisfaction among farmers because the area unit for yields is a block or sub-district and huge yield variations often occur in the same block, resulting in long-drawn-out claims settlement.

WBCIS was introduced as a pilot in 2007 and later scaled up. In the case study district, farmers' satisfaction with this product is higher. The main reasons are: the presence of modern weather stations, reliability of weather data, localised area, transparency of data and information-sharing locally, belief that the data cannot be manipulated, quicker claims settlement, and flexibility in the insured sum. The premiums for WBCIS are also subsidised by the government.

A private-public partnership facilitated the implementation of WBCIS. It involved the National Bank for Agriculture and Rural Development (NABARD), the Indian Meteorological Department and NGOs. It ensured

- the setting-up of weather stations covering a smaller area for robust results;
- locally trained management of these stations;
- a stronger stake for farmers in the scheme;
- stronger support from banks for insurance coverage of all borrowing farmers;
- easier and faster claim settlement, generating as a by-product reduced transaction costs for the insurance company also.

Plenary 3

How to provide sustainable insurance for low-income farmers

5. Need for better claim payment rules suggests mutuality may be a missing link.

The formal sector cannot offer affordable protection for small local (idiosyncratic) shocks. These are plagued with high cost and moral hazard. Mutuality may be the answer and for communities themselves to cover these shocks.

For large (systemic) shocks, the formal sector should be able to offer reliable protection – along the lines of Mexico's Fondos, or India's Modified NAIS, or by using satellite or weather data "behind the scenes" for auditing or targeting.

6. Meso-insurance for lenders has potential.

Providing meso-level agricultural insurance for lenders would take away the agricultural risk and leave them with only the lending risk. It would allow them to increase their exposure to the agricultural sector, and support more investment in productivity (fertiliser, improved seeds, technology).

The Global Index Insurance Facility (GIIF)

The International Finance Corporation (IFC), together with the International Bank for Reconstruction and Development (IBRD), the original institution of the World Bank Group, established the GIIF to address the problem that insurance providers in developing countries rarely offer natural hazard insurance. These countries are particularly exposed to weather and catastrophic risks because of lack of infrastructure, dependence on agriculture and low insurance penetration. The goal of the GIIF is to help develop markets for index insurance, particularly for farmers and rural communities.

GIIF has served nearly 100,000 farmers through its six partners³ in nine sub-Saharan African countries, Sri Lanka and South Asia.

GIIF's experience has shown that

- without subsidies it is not possible to reach scale;
- it is absolutely necessary to have an efficient distribution channel to sell the insurance;
- the lack of data affects the design, so much that, for example, it can imply that to reach scale only a million insured is enough when in reality it is ten million, or vice versa;
- the basis risk must be reduced as much as possible;
- the product must be affordable;
- investments should be made in building distribution channels, capacity in general and innovative design.

The World Bank reported mixed results from its experience with index insurance pilots. In general, most of the pilots implemented are still working but have not reached scale and are not expected to do so in the near future. This is perhaps because the wrong initial approach to implementation has been taken by international consultants helping insurance companies develop the agricultural insurance market. The process was left incomplete and no knowledge was transferred to the countries. The consultants were hired to explain but not to support the learning processes of stakeholders involved. The system that the World Bank is sponsoring as a corollary of past experience is to train and build capacity for local risk-manager brokers so that they can implement a system approach. These brokers could go to the countries and analyse the situation along with local experts. Together they design and model an agriculture risk profile, including production risk, market risks, exchange rates, price, and conducive environment. Based on this analysis, they then identify and define priorities and specific solutions required. See also Box 8.

³ MicroEnsure, International Livestock Research Institute, PlaNet Guarantee, Syngenta, Guy Carpenter and Sanasa.

60 — Left to right: Facilitator: Joachim Herbold, Munich Reinsurance Company, Germany; Dirk Reinhard, Munich Re Foundation, Germany; Daniel Clarke, University of Oxford, UK.

61 — Left to right: Shadreck Mapfumo, IFC – Global Index Insurance Fund, USA; Satish Pillarisetti, National Bank for Agriculture and Rural Development (NABARD), India; Carlos Arce, World Bank, USA.



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Box 8

Index insurance lessons from the World Bank's experience

- It is important that countries and different levels of implementation entities know just what to do, and how and when to adjust the triggers of index insurance.
- To achieve this hands-on experience, all stakeholders should be thoroughly trained. A modular training tool, www.agrisktraining.org, offers on-line training in topics ranging from weather to pricing.
- Donors should also verify that the supply side has the technical capacity, the project is technically feasible and there are enough good-quality data.
- When a robust institution or pool of insurance companies is ready to start implementation, reinsurers should be on board as well, and claims and premium collection systems designed.
- Always have the supply chain in mind in order to include all the possible risks, including price volatility.

The plenary ended with some lessons for developing markets drawn by Munich Re from agricultural schemes in developed markets.

1. Agricultural insurance cannot be addressed in the same way as other insurance lines. **It must be a part of the national agricultural policy.**
2. System approach rather than a product approach. **It requires an institutional framework that includes a PPP of government, farmers, the (re)insurance industry and the banking sector. Purely private and purely public institutional approaches have failed.** This institutional structure is different in each country and should be tailor-made to the economic and social conditions of existing institutions. The government has the responsibilities of setting guidelines and controls, subsidising premiums and financing catastrophic losses. We need tailor-made solutions that factor in the local conditions.
3. **Cooperative instead of competitive approach.** It is useful to have or set up a coinsurance pool and a centralised technical entity in charge of bundling and developing expertise, and to establish uniform terms and conditions of insurance. In other words, make the incentives right.
4. **Nationwide instead of pilot-project approach.** Agricultural insurance is all about spreading risks by insuring different regions and crops and by achieving a high market penetration. Pilots are difficult to scale up.
5. **Overestimated potential of weather index insurance on farm level.** Experience indicates greater potential for area yield index insurance due to the various shortcomings of weather index insurance.
6. **Combine insurance with credit.** Stand-alone solutions are not economically viable or sustainable (as shown by India's experience and Madison Insurance during the Failures sessions).

Lessons learnt

- Agriculture index insurance is not appropriate for all risks.
- An institutional framework with participation of all stakeholders of the supply chain is necessary.
- Do not believe stories, believe data. Designing a good parameter that has a high correlation with the peril insured minimises basis risk.
- Education and training at all levels is a must. In other words, building capacity is the name of the game; it helps build knowledge, and thus trust.
- A public-private partnership is important. Make it work; the scaling up of index insurance schemes needs the support of the public sector.
- Offer reliable products, and innovate behind the scenes.

“Microinsurance is indeed one of the viable solutions to the challenges that confront the poor.”

Hon. William Mgimwa
Minister of Finance of the United Republic of Tanzania



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62 — Almost 80 journalists attended the press conference. Left to right: Israel Kamuzora, Commissioner of Insurance, TIRA, Tanzania; Dirk Reinhard, Munich Re Foundation, Germany; Stefan Nalletamby, Making Finance Work for Africa, Tunisia.

63 — Left to right: Manfred Sibande, ATI, Tanzania; Craig Churchill, ILO/Microinsurance Innovation Facility, Switzerland.

64 — For the fourth time, a special policy seminar on regulation and supervision was held in Dar es Salaam. High-level insurance regulatory representatives from no fewer than 15 countries were present. A special academic seminar also took place for the fourth time.

65 — Participants in parallel session 3 discussing good practice in microinsurance. Véronique Faber, Microinsurance Network, Luxembourg.

66 — 590 participants from around 60 countries attended the 8th International Microinsurance Conference.

67 — The conference's organisation team. Left to right: Christian Barthelt, Petra Hinteramskogler, Dirk Reinhard, Paula Jiménez, Torsten Kraus.



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Agenda

Day 3 afternoon sessions 8 November 2012

Parallel session 15	Parallel session 16	Parallel session 17
Agenda-setting for microinsurance in Tanzania	Case studies on how to insure the poor's property	Case studies
<p><u>Introduction</u> <u>Hennie Bester</u> Strategic Advisor and Regulatory Expert, FinMark Trust/Cenfri, South Africa</p> <p>Tanzania insurance landscape: A diagnostic of the challenges and opportunities for microinsurance development</p> <p><u>Israel Kamuzora</u> Commissioner of Insurance, TIRA, Tanzania</p> <p><u>Manfred Sibande</u> Chairman, ATI, Tanzania</p> <p><u>Sosthenes Kewe</u> Technical Director, FSDT, Tanzania</p> <p><u>Facilitator</u> <u>Yoseph Aseffa</u> CTA, ILO, Ethiopia</p>	<p><u>Tyler Tappendorf</u> Project Manager, Fonkoze, Haiti</p> <p>MiCRO and Fonkoze: First-year experiences with catastrophe insurance for Haitian microentrepreneurs</p> <p><u>Pravin Kalpage</u> Head of Hollard Direct, Hollard, South Africa</p> <p>Experience from Jet Home insurance</p> <p><u>K Gopinath</u> Head – Rural and Cooperatives, IFFCO Tokio General Insurance, India</p> <p>A case for livestock insurance: IFFCO-Tokio General Insurance Ltd</p> <p><u>Facilitator</u> <u>Thomas Loster</u> Chairman, Munich Re Foundation, Germany</p>	<p><u>Sabbir Patel</u> Senior Vice-President and CFO, ICMIF, UK</p> <p>Takaful and poverty alleviation</p> <p><u>Arman Oza</u> CEO, VimoSEWA, India</p> <p>Increasing outreach and managing costs in a voluntary microinsurance scheme – VimoSEWA's resurgence</p> <p><u>Michael McCord</u> President, MicroInsurance Centre, USA</p> <p>MAPFRE Colombia: Combining valuable funeral insurance products with a strong business case</p> <p><u>Facilitator</u> <u>Craig Churchill</u> Chairman of the Microinsurance Network, ILO/Microinsurance Innovation Facility, Switzerland</p>
Parallel session 18	Plenary 4	Outlook session
Academic/Healthcare track	Institutional arrangements for covering the health needs of low-income households	Next steps in market development
<p><u>Karuna Krishnaswamy</u> Researcher, CIRM Design and Research Labs, India</p> <p>The impact of outpatient health insurance and preventive and promotive products in rural India</p> <p><u>Andreas Landmann</u> PhD student, University of Mannheim, Germany</p> <p>Can microinsurance help prevent child labour? An impact evaluation from Pakistan</p> <p><u>Wendy Janssens</u> Post-doctoral research fellow, VU University Amsterdam, Netherlands</p> <p>Out-versus in-patient healthcare coverage and foregone care: Evidence from a health and financial diaries study in Nigeria and Kenya</p> <p><u>Facilitator</u> <u>Richard Phillips</u> Chair – Department of Risk and Insurance, Georgia State University, USA</p>	<p><u>Nathaniel Otoo</u> Director of Administration and General Counsel, NHIF, Ghana</p> <p><u>Onno Schellekens</u> CEO, PharmAccess Foundation, Netherlands</p> <p><u>Zafrullah Chowdhury</u> Trustee, Gonoshasthaya Kendra Trust, Bangladesh</p> <p><u>Facilitator</u> <u>Denis Garand</u> President, Denis Garand and Associates, Canada</p>	<p><u>Prisca Soares</u> General Secretary, African Insurance Organisation, Cameroon</p> <p><u>Stefan Nalletamby</u> Coordinator, Making Finance Work for Africa, Tunisia</p> <p><u>Stewart Kinloch</u> Consultant, African Development Bank, Kenya</p> <p><u>Mustapha Lebbar</u> Chair of the IAIS-MIN Joint Working Group and Financial Inclusion Subcommittee of the IAIS, Morocco</p> <p><u>Facilitator</u> <u>Brandon Matthews</u> Stonesteep, Switzerland</p>

Parallel session 15

Agenda-setting for microinsurance in Tanzania

“Years ago, when I worked for an insurer, we had a policy for farmers in northern Tanzania,” said the Commissioner of Insurance, “but the first claim on it was refused. Had we paid that first claim we would have gone far in microinsurance development.”

“We have learnt lessons,” he added, “and now with the help of the diagnostic study under the Access to Insurance Initiative (A2ii) we can proceed effectively.”

The session reviewed findings of the study and thrusts of the national strategy for insurance – including microinsurance – that is being agreed.

Acknowledging a lack of a microinsurance law and regulatory framework as well as a lack of products designed with the poor people in mind, the Tanzania Insurance Regulatory Authority (TIRA) is following up on the diagnostic’s findings with a number of studies on individual topics to pinpoint required action (see Box 9).

Box 9

The Tanzania Insurance Regulatory Authority (TIRA) is studying individual gaps identified in the diagnostic to establish

- the adequacy of the legal and regulatory framework for the promotion of the microinsurance sector;
- the range of products being provided in the market and microinsurance products needed;
- the efficiency of current distribution channels;
- the level of insurance penetration in formal and informal sectors;
- the optimal arrangement for insurance of government assets;
- the effectiveness of existing programmes to increase insurance awareness;
- current impediments to further development of the insurance market.

Source: Kamuzora, Israel. Presentation “Tanzania insurance landscape: A diagnostic of the challenges and opportunities for microinsurance development”. 8th International Microinsurance Conference 2012

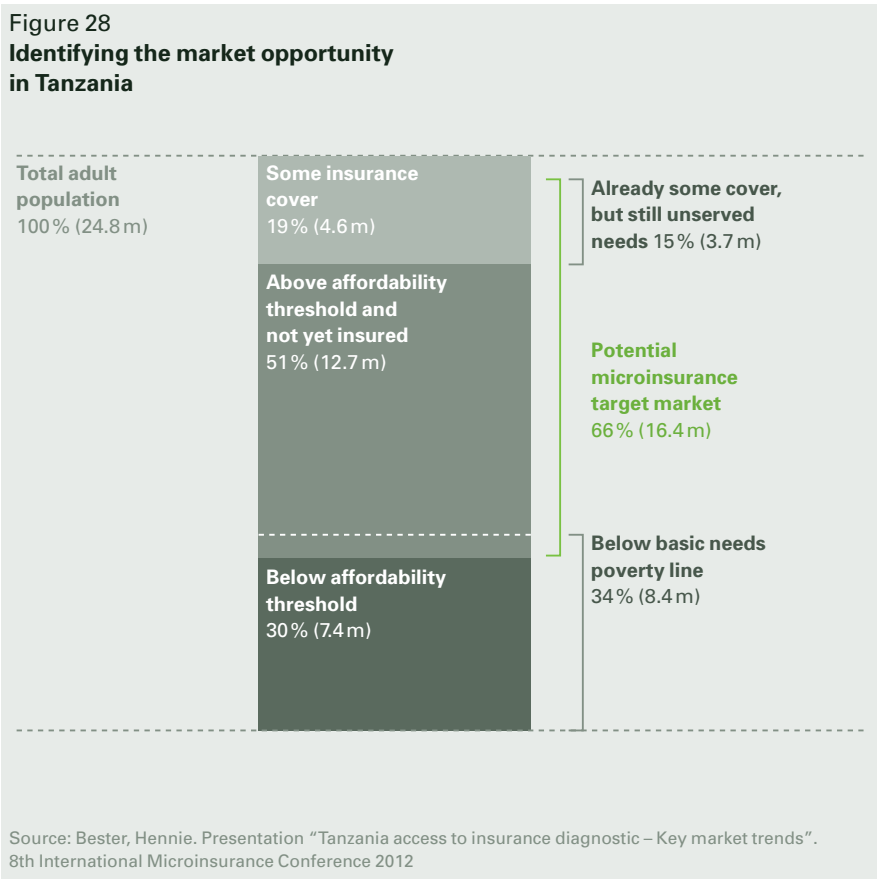
Microinsurance in context

The diagnostic study, whose findings were presented to a stakeholders’ workshop in September 2012, evaluates the demand for and supply of insurance in Tanzania, and the impact that policy, regulation and supervision have on them. The analyses portray the current situation as well as how the market has developed over time, outlining the underlying driving forces of the market – including the broader financial sector, and the macroeconomic and socio-economic context.

Regulatory commitment to low-income market

While formulating regulatory and market-related recommendations for future development, the study focuses not on microinsurance exclusively but on the whole insurance market. It scopes the market’s trends and underlying drivers to project the potential for microinsurance. The study pegs the target market for microinsurance at 16.4 million, 66% of adults in Tanzania (see Figure 28).

Conspicuous in their absence from the low-income market are agricultural and private health insurance. Health is the paramount demand-side need; in the study’s scale of six needs, in-patient care scores highest at 93.4% and death of the breadwinner lowest at 22.7%.



Insurers' perspective

The Association of Tanzania Insurers (ATI), whose 27 member companies are focused on urban centres, acknowledged in its presentation that "microinsurance is where the future of the industry lies in terms of serving the poor".

Although the insurance sector has risen at an average 20% annually, the companies' market shares are stagnating with increasing competition. Like products, distribution channels are limited to urban areas and regulated by TIRA. There is one microinsurance broker that has now registered. The diagnostic suggests using mobile phone companies to increase the outreach, as more than 70% of adults own a mobile phone and are aware of mobile money services.

A challenge in ATI's view is that the rural poor have a very negative perception of insurance, and the market needs success stories on payment of claims if there is to be an increased uptake of insurance in the rural population. "Insurance is value-less until there is a claim; the proof of the pudding is in the eating."

ATI is encouraging member insurers to come up with new microinsurance products in the wake of stagnated growth from traditional covers. It would increase premiums and market shares, and reduce expense ratios.

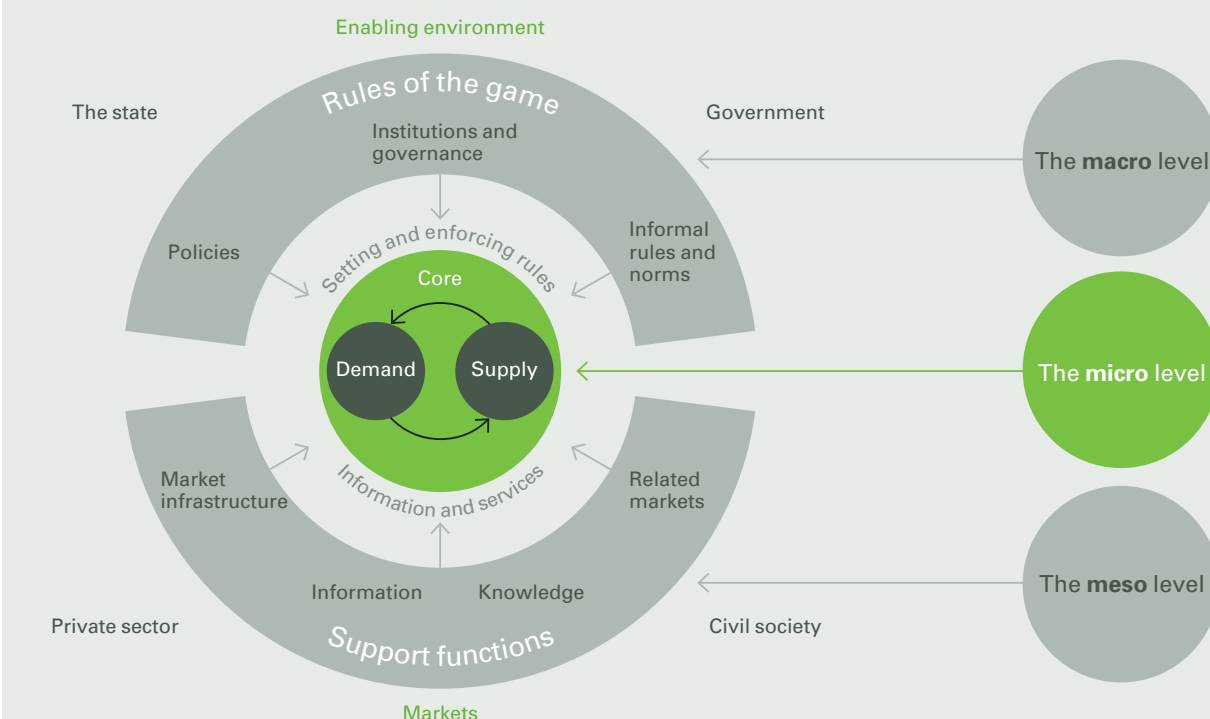
An NGO's role in expanding insurance

Among sponsors of the diagnostic is Financial Sector Deepening Trust (FSDT) set up by five government donors – from Canada, Denmark, the Netherlands, Sweden and the United Kingdom – in collaboration with the Bank of Tanzania.

FSDT believes *access* alone does not mean financial inclusion. Access must be followed with actual and regular *usage* of the product, *quality* ensuring that product attributes match the customers' needs, and *welfare* or the effect on customers' livelihoods.

In implementing the diagnostic's findings, three things in FSDT's view are critical: innovation (thinking outside the box), scale (inclusive growth) and impact (value-benefit). "The poor people do not have the time to wait. Let us get going. A public-private partnership between government, market players and development partners is the way forward." See Figure 29.

Figure 29
Approach – The market system



Source: Kewe, Sosthenes. Presentation "Role of FSDT in expanding insurance in Tanzania".
8th International Microinsurance Conference 2012

Parallel session 15

Agenda-setting for microinsurance in Tanzania

Strategic steps

The proposed strategy to implement the study's recommendations does indeed aim at a PPP. To reach the stage of forming a partnership, some key steps are suggested:

- TIRA to accept the diagnostic study and to lead implementation
- Ownership of the microinsurance development process by stakeholders (regulator, suppliers, distributors, consumer groups, etc.)
- Setting-up of a microinsurance working group
- Definition of the microinsurance action plan (work programme, quick wins, coordinator, funding, deliverables, data and reports, exit strategy)
- A public-private partnership

Cenfri, which led the diagnostic study, has reminded participants in microinsurance development that there are five strategic imperatives in the process (see Box 10). These essentials will lead to microinsurance increasing the uptake of other financial services. Through the process microinsurers need to look at the market from the access, not from the micro, perspective – to get a better sense of how the market will develop.

Box 10

Strategic imperatives

Top five market essentials:

1. Creating a compelling retail business case
2. Building skills and capacity to trigger product innovation
3. Ensuring positive market discovery
4. Educating customers through the sales process
5. Pursuing strategic distribution partnerships

Source: Bester, Hennie. Presentation "Tanzania access to insurance diagnostic – Key market trends". 8th International Microinsurance Conference 2012

Lessons learnt

Agenda-setting for microinsurance development requires a good understanding of

- the socio- and macro-economic context, as well as the broader financial sector within which the insurance market operates;
- the potential demand for microinsurance, with insights drawn from analyses of existing market characteristics as well as focus group discussions;
- the supply capacity of the whole insurance market, across product types, as well as all the players in the value chain;
- the policy and regulatory landscape;
- the main opportunities and challenges;
- an implementation strategy that can engage government, market players and development partners in a public-private partnership.

More information:
www.tira.co.tz



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68 — Facilitator:
Yoseph Aseffa, ILO, Ethiopia.

69 — Manfred Sibande, ATI,
Tanzania.

70 — Left to right:
Israel Kamuzora, TIRA, Tanzania;
Hennie Bester, FinMark
Trust/Cenfri, South Africa.

71 — Sosthenes Kewe, FSDT,
Tanzania.

Parallel session 16

Case studies on how to insure the poor's property

When discussing different lines of microinsurance, the focus is mostly on health and agricultural insurance as they are more challenging products to provide, or on credit life as it is one of the most established products. This session, chaired by Thomas Loster, looked at three very different examples of property insurance as a risk management tool.

Jet Home Protect in South Africa

When Hollard launched this home insurance product in South Africa three years ago, only 4% of the targeted households had some form of property insurance. In view of a lack of market and customer information, Hollard conducted a survey before designing the product.

In the survey, low-income consumers had identified theft, fire and destruction of property as major risks. To keep costs low, Hollard chose to distribute the product through a partner, Jet, the largest clothing retailer in the region. The Jet store chain added a strong brand affinity and provided access to its existing network of customers.

Initially using a call centre for sales, Jet Home Protect was later rolled out to in-store. The survey had shown a preference for purchasing from a trusted channel, with an opportunity to discuss the product and ask questions. Offering the product in stores, agents are also able to leverage Jet customer accounts for premium collection and claim settlement.

As a low-margin product with only adequate resources allocated, Jet Home Protect has so far not built a huge customer base but it is off to a good start, with some 20,000 policies sold. Promotion has included a detailed marketing campaign via radio, and word-of-mouth endorsements in community meetings. A client-centred approach in a simple claims process provides assistance to repair the damage and reduce the loss before a claim is paid. Face-to-face interaction in easily accessible stores and strong trust in the established Jet brand has led to a high retention rate.

Hollard: Jet Home Protect

Number of people insured
20,000+

Insured risks

Loss or damage to buildings up to ZAR 50,000 (US\$ 5,618) and contents up to ZAR 50,000 (US\$ 5,618) caused by fire, lightning, explosion, storm, wind, hail, snow, natural flood. Theft or burglary covered up to ZAR 15,000 (US\$ 2,809)

Premium range

ZAR 49 per month (US\$ 5.50) with a deductible of ZAR 100 per claim (US\$ 11)

Note

Using a large retailer for accessing clients

Pashudhan Bima Yojana in India

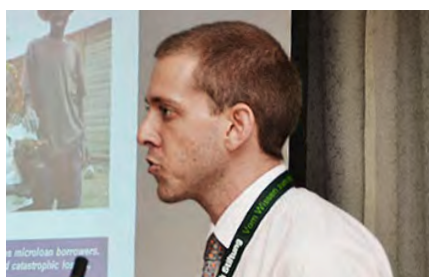
In microinsurance, covering live-stock – an important asset of small-holder farmers – is fraught with a number of constraints, not the least of which is a high loss ratio. Here is a case that brought the ratio down to as low as 35% in three years.

IFFCO-Tokio General Insurance is a joint venture between IFFCO, the largest cooperative fertiliser company in the world, and Tokio Marine & Nichido Fire Insurance of Japan, one of the largest insurers in the world. It aims to spread risk management and insurance knowledge and awareness to rural communities by leveraging the strength of cooperatives.

IFFCO-Tokio introduced its Pashudhan Bima Yojana (cattle insurance policy) in August 2009 and since then has insured more than 28,000 cattle with a gross written premium of US\$ 496,000. Pursuing both business viability and client value, it refined product and enrolment processes and used new technology for identifying cattle, offering clients lower premiums and faster claim payments.

To bring the benefits of insurance to cooperative members and to expand IFFCO-Tokio's rural portfolio, the joint venture needed to strengthen its bancassurance business by enlisting more rural cooperative banks as distribution partners.

Cooperative banks were challenged with loss ratios on cattle loans of up to 300%. Therefore, IFFCO-Tokio developed a credit-linked product for farmers with cattle loans.



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72 — Tyler Tappendorf, Fonkoze, Haiti.

73 — Left to right; Pravin Kalpage, Hollard, South Africa, K Gopinath, IFFCO Tokio, India; Facilitator: Thomas Loster, Munich Re Foundation, Germany.

Parallel session 16
Case studies on how to
insure the poor's property

A major reason for the high loss ratio in livestock insurance is the difficulty of identifying the insured animal. With a grant from the ILO's Microinsurance Innovation Facility IFFCO-Tokio successfully piloted the use of a radio frequency identification (RFID) microchip, similar to the size of a grain of rice, which is injected with a syringe to accurately identify the cattle.

Farmers also have easy access to the product and related services. Insurance offices operating out of local cooperative banks are staffed by just one person, a "son of the soil" called *bima sahayak* or relationship executive who, together with a veterinarian, provides enrolment and loss prevention services.

With this encouraging case of profitably providing an insurance cover in high demand in rural communities, IFFCO-Tokio plans to expand the line through "new distribution channels in new geographies".

IFFCC-Tokio:
Pashudhan Bima Yojana

Number of cattle insured
28,136

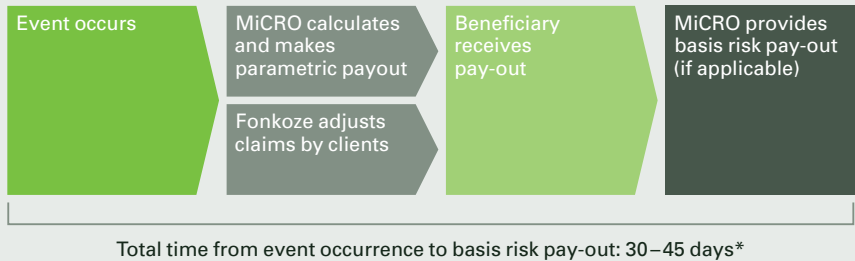
Insured risks
Cattle death due to disease or accident; sum insured is loan value

Premium range
3-5% of sum insured paid on annual basis

Note
Technical innovation to bring loss ratio down significantly (35%)

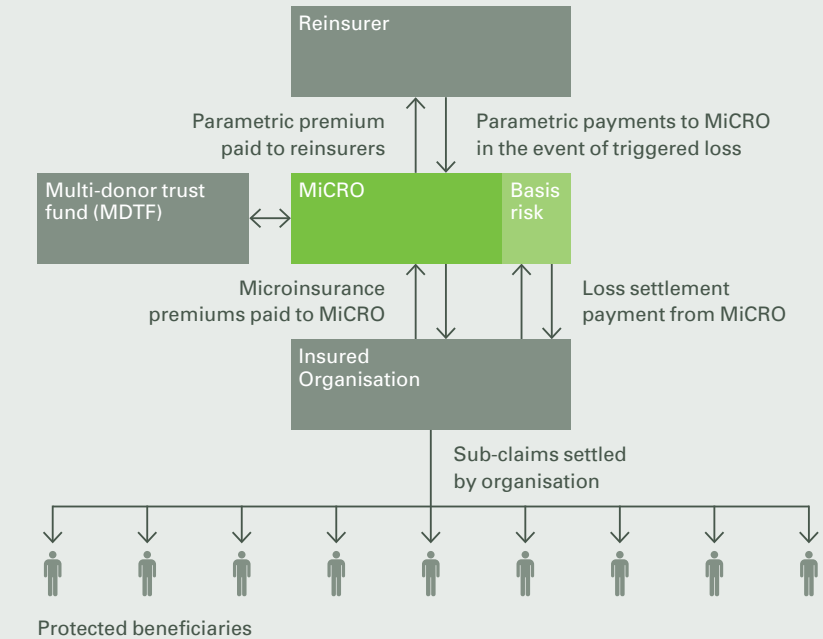
Figure 30
How MiCRO-Fonkoze catastrophe insurance works –
Fonkoze's Kore W programme.

- Structure**
- 100% of Fonkoze's group-lending clients are covered by obligatory catastrophe insurance, which protects each client if their merchandise, home, or place of business is severely damaged by a natural disaster.
 - The majority of clients pay 3% of their loan amount for coverage.
 - When a rain, wind or earthquake event occurs, clients submit their claims through their Solidarity centers.
 - **Qualifying losses provide the following pay-out:**
 - Reimbursement of the client's existing Fonkoze loan balance
 - An HTG 5,000 (~US\$ 125) cash payment
 - A new loan to recapitalise their business when the client is ready



*Indicated time-frame not a guarantee of service; experience may vary
Source: Tappendorf, Tyler. Presentation "MiCRO and Fonkoze: First year experiences with catastrophe insurance for Haitian microentrepreneurs". 8th International Microinsurance Conference 2012

Figure 31
Structural overview of MiCRO pay-outs



Source: Tappendorf, Tyler. Presentation "MiCRO and Fonkoze: First year experiences with catastrophe insurance for Haitian microentrepreneurs". 8th International Microinsurance Conference 2012

MiCRO and Fonkoze in Haiti

In this case, a (re)insurer and an MFI have demonstrated a realistic, globally replicable model of catastrophe insurance in one of the world's most vulnerable countries.

Microinsurance Catastrophe Risk Organisation (MiCRO), created by an international consortium of donors in 2011, is a licensed (re)insurance company focused on Haiti's micro-entrepreneurs in the informal sector. It issues customised protections in response to the negative social and financial impact of natural disasters.

MiCRO is the first organisation to offer a combined parametric and basis-risk transfer solution. Parametric indemnification allows for fast and efficient claims payments, and the basis-risk coverage helps mitigate potential deviations from the parametric triggers and actual losses.

The innovative set-up uses local partners to aggregate micro-risk, and global partners and international (re)insurers to price, manage and retain this risk.

Fonkoze is Haiti's largest MFI and helps the country's poorest take the first steps out of poverty. It has 46 branches, 60,000 borrowers and 280,000 savers,

Fonkoze set up its Kore W programme in January 2011 to provide MiCRO's insurance to its microcredit clients (see Figure 30). Employing a team of 23 trainers, Fonkoze spent the first six months teaching clients about insurance, how to protect themselves from weather risks, and sharing details of the new product.

Clients who incur losses are required to contact their respective credit centres. To reduce fraud, assessors use centre members to validate loss reports. Pay-outs are decided in solidarity groups.

The product allows both Fonkoze and its clients to transfer the risk of natural catastrophes to the international markets through MiCRO (see Figure 31). This bridge between previously separated worlds ensures the durability of Fonkoze's services in troubling times and helps clients and their families endure devastating, unexpected losses.

MiCRO/Fonkoze Kore W catastrophe insurance

Number of people insured

100% of Fonkoze's

60,000+ group-lending clients

Insured risks

Damage to merchandise, home, or place of business by a natural disaster

Premium range

3% of the loan amount

Note

Using local partners to aggregate micro-risk, and global partners and international (re)insurers to price, manage and retain risk.

Next steps for parametric products

In the session discussion, a new product was brought up. Building on the success of MiCRO and complementing its regional presence in the Caribbean, the Munich Climate Insurance Initiative (MCII) is launching two parametric insurance products in Jamaica, St. Lucia and Grenada. The first one, a Livelihood Shock Absorber, will insure individuals to protect their livelihoods against strong wind and rainfall. The second product, a portfolio hedge, provides insurance for disaster-related loan defaults to encourage lending to vulnerable people, such as those in the agricultural sector.

The two insurance products will be launched in due course and represent a first step in a wider dialogue between regulators and insurers. The aim of this dialogue is to explore options on how to provide financially stable index-based weather insurance solutions for low-income people and integrate them into a disaster-risk management programme as part of the sustainable development agenda.

Lessons learnt

- Developing partnerships with established organisations, piloting and training are vital for successful product launches, distribution and take-up.
- To achieve a critical mass, the product should be not only accessible but affordable.
- Business viability and client value can coexist without a trade-off if processes are client-centred and efficient.
- The RFID microchip is a cost-effective technology for cattle identification, and helps reduce the claims processing period.
- In MiCRO, Haiti has a workable example for other developing countries of an innovative combination of parametric and basis-risk insurance for catastrophes – and sets a good example for partnership approaches.
- Two parametric products being launched in the Caribbean break new ground in how to provide financially sound index-based weather insurance to low-income people.

Parallel session 17

Case studies

Microinsurance often requires an attempt to reconcile elements that are in conflict. Business needs can clash with social missions, religious requirements and client value. This session examined three case studies which illustrate attempts to find a balance that works for all players.

Takaful and poverty alleviation

Conventional insurance contracts are not compatible with Sharia law, so Muslim scholars developed the principles of *takaful* insurance, based on the idea of “bearing one another’s burdens”.

In principle, *takaful* is mutual; in practice it separates policyholder funds from shareholder funds, there is sharing of an underwriting surplus and, in the event of an underwriting loss, shareholders are expected to provide interest-free loans.

The first official *takaful* company was established in 1979. Now multi-nationals have entered the market and reinsurers have started offering *re-takaful*.

Takaful still represents a relatively small part of the insurance industry, but it is growing rapidly. In general, countries with high Muslim populations have very low insurance penetrations, so *takaful* represents a major growth opportunity (see Figure 32).

However, these countries also have large low-income populations. Out of the billion people living in low-income countries, half are Muslim. Therefore, to serve them involves two challenges: religious compliance and affordability. *Microtakaful* is trying to address this.

Valued funeral insurance makes a business case**Seguro Exequial****Number of people insured**

Around one million

Insured risks

Lives of the primary policyholder, spouse and children (under 26 years of age)

Premium range

US\$ 3.63 a month

This presentation reflects results of both a Client Math study and a business case study by the MicroInsurance Centre’s MILK project. By linking the two studies, participants were able to gain a clear understanding of the two key sides of one product within an institution.

Based on a Client Math study, MAPFRE’s funeral product Seguro Exequial seems to provide significant value for clients. Funerals have little financial impact on the insured, but they cause significant medium-to long-term damage on the financial health of the uninsured. Without funeral cover, surviving members of the family are forced to wipe out their savings, take much higher levels of informal loans and reduce their day-to-day expenditure, as illustrated in Figure 33.

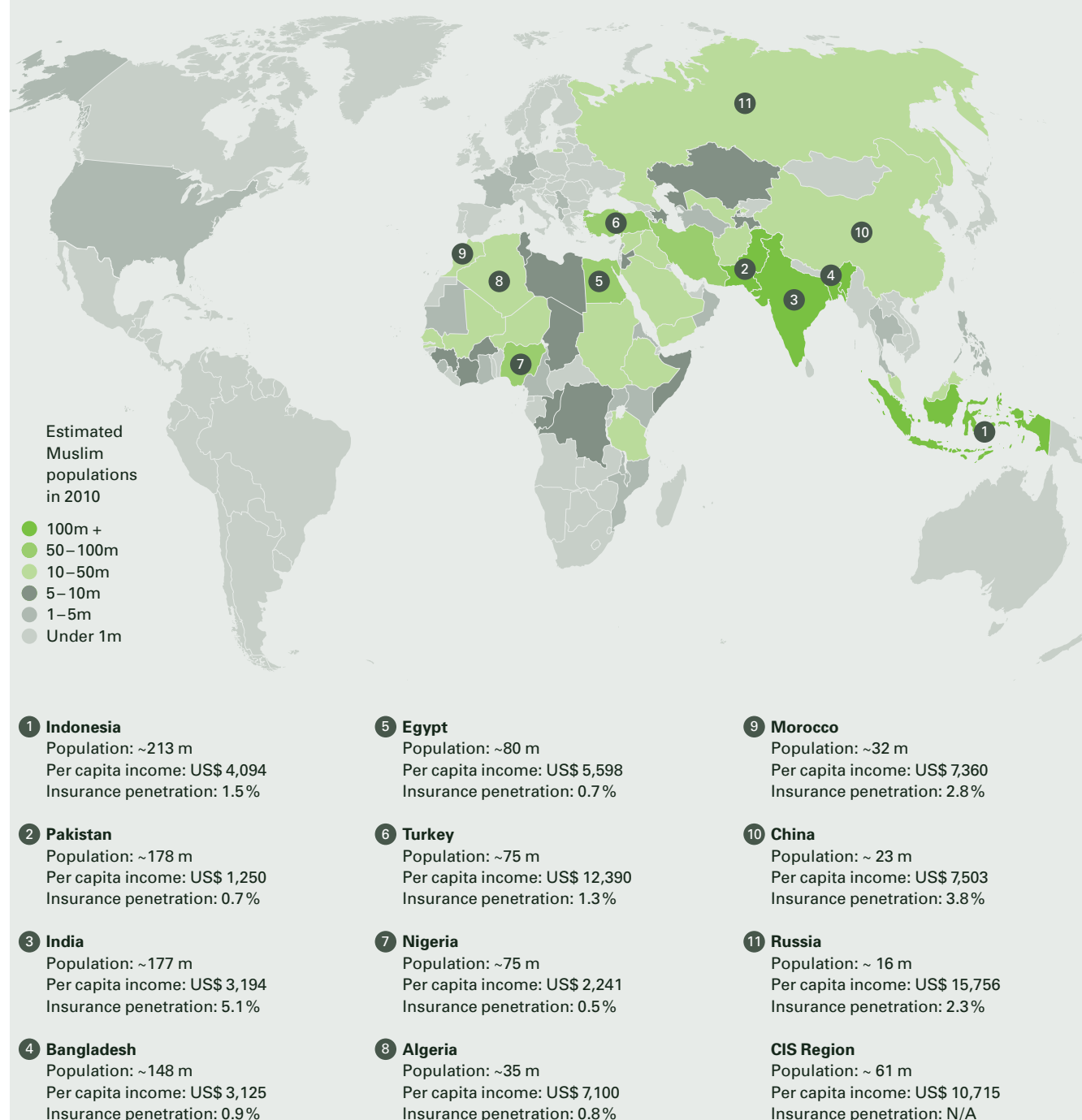
An important aspect of the MAPFRE policy is that it is cashless and claims are made quickly, meaning that the insured do not have to decapitalise, even in the short term.

Based on the business case study, the product also provides good business value. Although it made a small loss initially, the product soon made a profit, and this has improved each year. Administrative expenses are high at 45%, because of the fees required by the distribution channel. However, MAPFRE is unlikely to be able to access this volume of clients without a distribution channel such as it finds in the utility company that sells its products.



74 — Left to right: Michael McCord, MicroInsurance Centre, USA; Arman Oza, VimoSEWA, India; Sabbir Patel, ICMIF, UK; Facilitator of the session: Craig Churchill, ILO/Microinsurance Innovation Facility, Switzerland.

Figure 32
Potential takaful markets



Parallel session 17
Case studies

Nonetheless, the client value is questionable as the claims ratio is only 22%, primarily dictated by the costs of delivery. However, this is a voluntary product covering a million people who seem to see value in it and benefit from it, as was clearly seen through the Client Math study. This product might force experts to question their assumptions on claims ratio and its place in client value.

Increasing outreach and managing costs in a voluntary scheme

In 2009, VimoSEWA's membership had been decreasing, claims were consistently higher than premiums, gross margins were erratic, and costs were overshooting revenues. The organisation was forced to ask itself some tough questions about its financial viability.

Over the following three years, VimoSEWA took several steps to try to rectify its poor financial situation, including

- introducing a more formal organisational structure and a system of appraisals;
- improved marketing, including a shift in focus from membership numbers to premium income;
- changes to its product offering;
- reduction of monitoring and evaluating efforts to those areas necessary for decision-making;
- a shift in its claims management approach, accepting that rejections would have to be made, but focusing on reducing turn-around time.

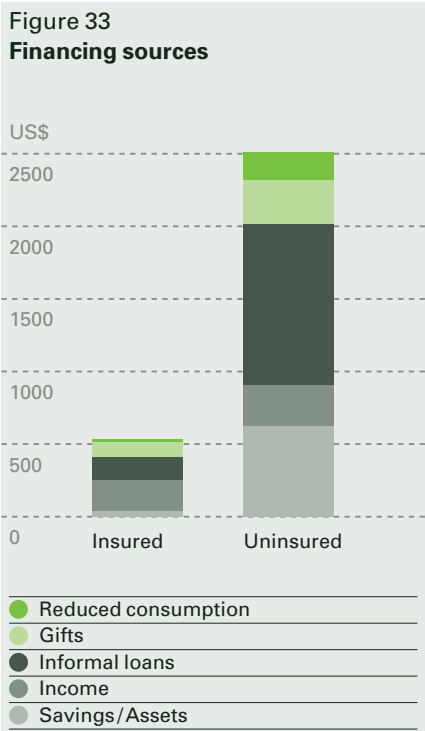
All these changes required, above all, a cultural shift in the organisation. It was necessary to evaluate the efficiency of each activity without allowing it to hide behind the “grand goal” of the organisation. There was a need to move beyond focusing on inputs to looking at what was actually being achieved.

Impact of these changes:

- Although the membership is still decreasing, premiums are up.
- Its product and sales mix has become more balanced.
- Previously, increasing the organisation's business actually increased its losses, but now acquisition costs have decreased.
- VimoSEWA is still unable to cover the viability gap.
- Its capital had been depleting; now it is back up.
- Renewal ratios remain at about 70% on annual products.

Lessons learnt

- Religion plays a fundamental role in the lives of the poor, so that the values of *takaful* are of great relevance in increasing access to insurance for low-income people in regions where Islam has a sizeable presence – e.g. Africa, which has 52.4% of the world's Muslims.
- Microinsurance experts may need to reconsider the link between value and claims ratios. A business may be able to provide a valuable product with a relatively low claims ratio and make a fair profit. The fees of distribution channels may drive the overall cost to clients.
- It is difficult to survive as a voluntary stand-alone micro-insurance intermediary. It cannot scale up beyond a certain point, no matter how much it can increase efficiency and how well it can balance social and financial goals. Attaining viability requires resilience and a cultural shift.



Source: McCord, Michael J. Presentation
“MAPFRE Colombia: Combining valuable funeral insurance products with a strong business case”.
8th International Microinsurance Conference 2012

Parallel session 18

Academic/Healthcare track

This session discussed whether micro health insurance should focus on *in-patient* or *outpatient* care. It also discussed the effect health insurance can have on child labour.

How much is a health card worth?

A randomised controlled trial was carried out in India by CARE Foundation in partnership with the Centre for Insurance and Risk Management (CIRM) in 2009.

CARE

Insured risks

Outpatient care

Premium range

US\$ 6 per annum

The intervention consisted of three different treatment arms:

- A group that received one free visit to the community health worker (CHW, a low-skilled, married lady, village resident) worth US\$ 0.20 (Treatment 1);
- A group that got an 80% discount on outpatient insurance (Treatment 2);
- A group that got an 80% discount on outpatient insurance and access to preventive/promotive products such as water purifiers, napkins and mosquito repellents, all sold at a low price (Treatment 3).

The outpatient insurance covers four members of the household, for a sum insured of US\$ 50, and unlimited free visits to the CHW and doctor (on referral). It also covers drugs, tests and consultations, and has a transportation allowance in case of referrals to hospitals. In-patient care is not covered.

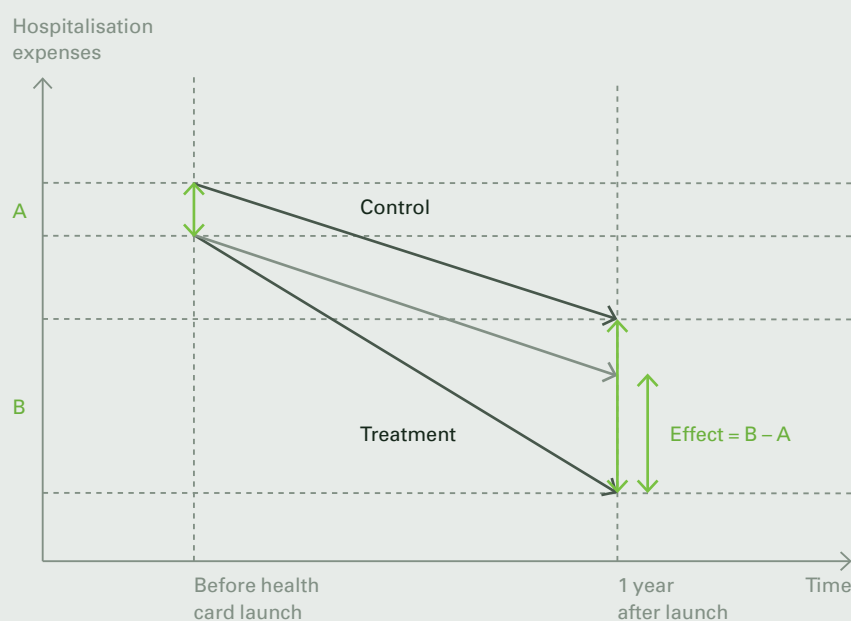
Treatment groups 1 and 3 and 2 and 3 are compared. This makes it possible to measure the effect of the insurance product and the effect of the insurance product combined with the preventive/promotive products regarding health-seeking behaviour, morbidity, health status and health expenses. Everyone in the area had access to the insurance cover (but not everyone at a discounted rate); hence the design of experiment did not lead to denial of service to anyone.

The results of a randomised trial show that outpatient insurance substantially increased visits to the CHWs and referrals to the CARE clinic and hospital; hospitalisation expenses were lower than the insurance premium. No impact was found on morbidity.

Researchers conjecture that increased referrals perhaps lead to earlier detection of serious ailments, and hence get people hospitalised before the condition becomes worse, leading to fewer days spent in a hospital and lower expenses.

The study demonstrates the power of a prepaid health card model compared to a pay-per-use model, even when the fee per visit is only US\$ 0.20. While more research should be done, the policy implication is that insurers and government agencies providing in-patient insurance products should consider adding a primary care component, which could potentially lead to a reduction in claims ratios and promote client value, renewals and profitability for the provider.

Figure 34
Outline of the difference-in-differences method used to measure the impact of the intervention



Source: Krishnaswamy, Karuna. Presentation "How much is a health card worth?". 8th International Microinsurance Conference 2012

Parallel session 18
Academic/Healthcare track

Can microinsurance help prevent child labour?

Microinsurance can help poor households cope with shocks. This can prevent people from falling into poverty and even increase investments.

Does microinsurance also have an effect on child labour, both ex ante and ex post? An RCT was done in an area in Pakistan known for its high prevalence of child labour. The intervention consisted of adapting a health and accident insurance built into a credit product offered by a local MFI. It is mandatory for clients and covers the client, spouse and minor children in all branches.

Health and accident insurance in Pakistan

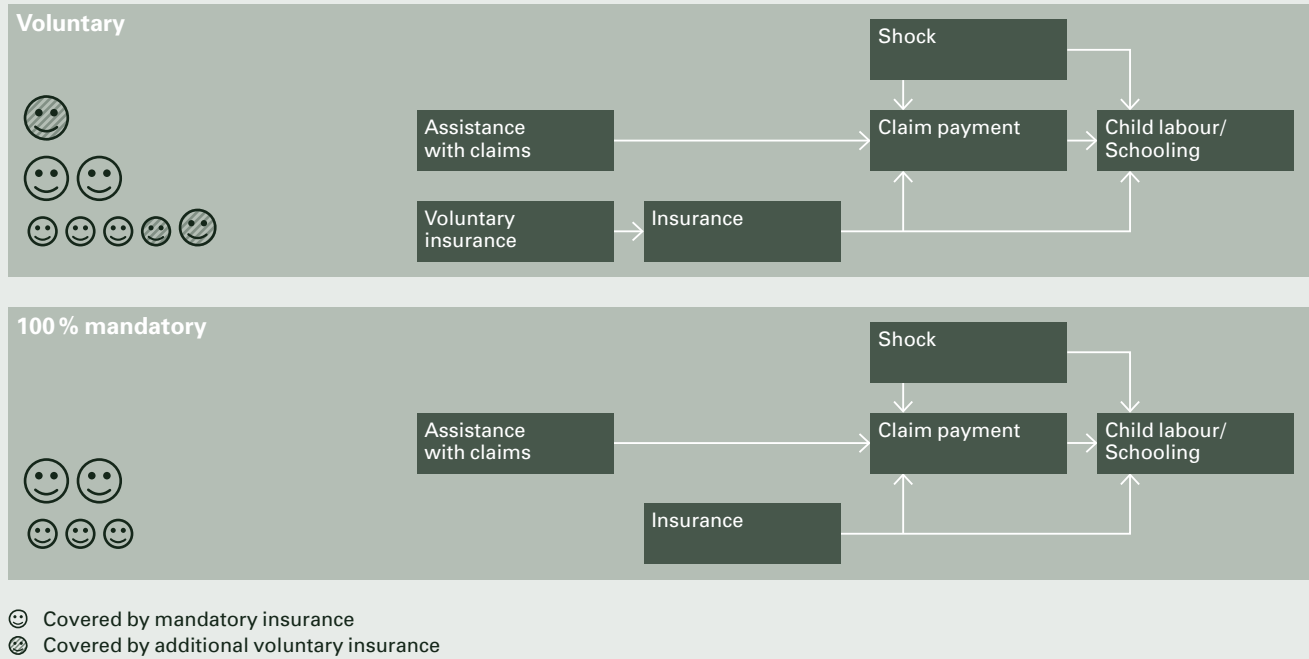
Insured risks
Health and accident

Premium range
Cannot be specified, built into credit product; for additional household members it is US\$ 1.40 extra per year

The innovation of the product is that it allows coverage of other household members that are not within the coverage and clients are offered help with the insurance product and claims. There were nine treatment and four control branches, and one baseline and four follow-up surveys were done.

From the results, it appears that the effect of treatment on child labour is negative, with a stronger effect for boys. The treatment effects between the voluntary insurance (for the extra household members) and help with claims can be disentangled using a special feature of the innovation. As households only having members carrying mandatory insurance cannot further expand their coverage through the innovation, they should only be affected by help with claims, and thus its effect can be isolated. The result is that the innovation's effect on decreased child labour appears to be through insurance and not through the help with claims.

Figure 35
Disentangling treatment effects



Source: Landmann, Andreas. Presentation "Can Microinsurance help prevent child labour?".
8th International Microinsurance Conference 2012

Because the effect was still found when looking at people without claims and as the claims made were not very frequent, most of the effect on child labour is ex-ante: people do not need to send their children to work to protect themselves in case something happens, because they are covered for this by insurance.

In-patient or outpatient care?

Health and financial diaries are an innovative methodology for collecting high-frequency and detailed data of all incidences of minor and major illnesses, subsequent health-seeking behaviour and foregone care.

One study using this method was carried out in a community-based health insurance scheme in Nigeria by the Amsterdam Institute for International Development. It was designed to show the type of health events people face and how they deal with these: where they go, how much they spend and how this is financed. Since the study looks at both insured and uninsured individuals – a total of about 600 – it is possible to see whether there is a difference in health-seeking behaviour and expenditures between these two groups.

Hygeia Community Health Care in Kwara State in Nigeria

Number of people insured

More than 60,000

Insured risks

Health insurance, in- and outpatient care

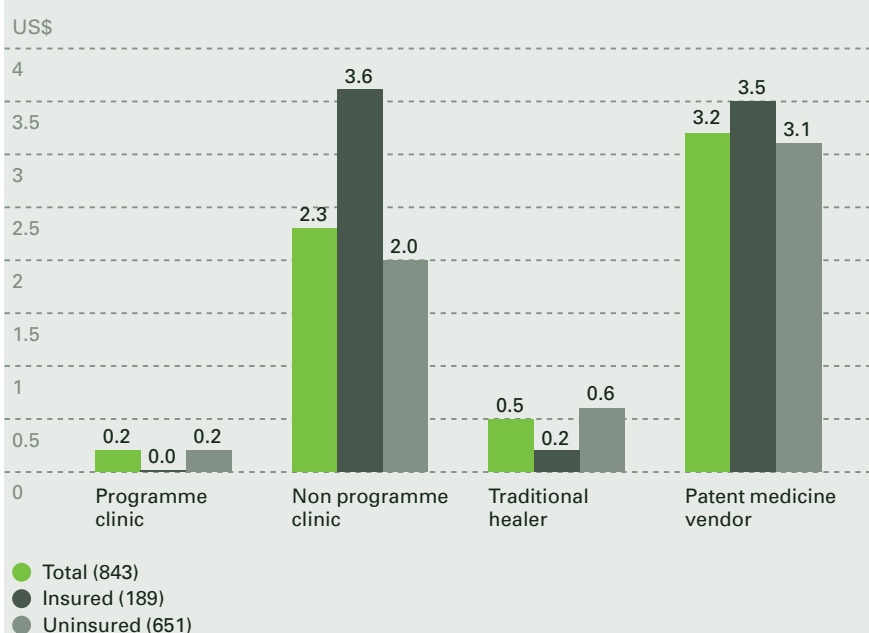
Premium range

300 naira (US\$ 1.50) per annum

The advantage of the diaries method is the use of a weekly recall period (large household surveys use large recall periods), the possibility of measuring foregone care (which in-clinic studies do not provide) and the real health events people are facing (instead of asking what people would like to have in their benefit package through CHAT or “Choosing Health plans All Together” sessions). The method also makes it possible to measure how people pay for their health events, because all financial transactions are recorded.

The main disadvantage is that it misses out on the large catastrophic events because of the small sample size. As a large household survey was done in the same area in 2008, it is also possible to compare the diaries data with the household survey data.

Figure 36
Total health expenditure per person
in the past six months



Source: Janssens, Wendy. Presentation “Out- versus in-patient healthcare coverage and foregone care”. 8th International Microinsurance Conference 2012

Parallel session 18
Academic/Healthcare track

Preliminary findings are that health expenditures are mainly driven by minor but frequent illnesses and that the most common way of dealing with illness, for both the insured and the uninsured, is to go to the patent medicine vendor. The total expenditure on patent medicine vendors exceeds the amount spent on facilities, especially when looking at the uninsured. The number of illnesses, consultations and expenditures found in the diaries is higher than in the household survey, which could indicate the existence of a recall bias.

The study has product design and policy implications in at least two respects. It assesses the relative importance from the point of view of clients of in-patient versus outpatient care, suggesting design of benefit packages that best address their needs. Secondly, it assesses the prevalence of foregone care due to financial constraints which, in the longer run, can lead to increasingly severe health problems. Postponement of care may ultimately cause much higher medical costs and personal misery than treating the illness immediately.

Lessons learnt

- Insurance can increase health-care utilisation. Outpatient coverage is preferred, but remains a challenge. Hospitalisation insurance schemes could lower overall claims costs by including cash-less primary care as a value-added service.
- Both the insured and uninsured spend high amounts on outpatient care. More research should be done into reasons why out-of-pocket expenditure is still high for insured people.
- There is potential for microinsurance to reduce child labour and increase school attendance. Parents with insurance do not need to send their children to work to secure their futures.
- Micro health insurance schemes should take into account the relative preferences and needs of their client base for in-patient and outpatient care.



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75 — Left to right:
Andreas Landmann, University
of Mannheim, Germany;
Facilitator: Richard Phillips,
Georgia State University, USA.
Not shown in this photograph:
Karuna Krishnaswamy, CIRM
Design and Research Labs, India.



76

76 — Wendy Janssens,
VU University Amsterdam,
Netherlands.

Plenary 4

Institutional arrangements for covering the health needs of low-income households

Three different health (micro)insurance programmes were presented in the plenary: a national, a social and a public-private one.

In the long run, health insurance schemes, even in many Western countries, will not be sustainable. How can we make them sustainable?

The health system should be seen as a holistic system; for example, water and sanitation are also part of this system. There are a lot of ways to improve the health system. It is important to critically look at where money is spent and what delivers the best results.

The national insurance scheme in Ghana started in 2003. It was a big step forward for the country; the scheme started without much involvement from the donor community.

National Health Insurance Scheme (NHIS) in Ghana

Number of people insured
More than 8,200,000

Insured risks
Health; about 95% of diseases

Premium range
Dependent on level of income, government subsidy; 2.5% VAT on certain products, and 2.5% transfers from social security.

Three types of health insurance institutions were set up: district (public) mutual, private mutual, and private commercial. All schemes depended on contributions from their clients. The government decided to support the first type to make sure everyone had equal access to healthcare and the focus was on the poorer segment of the population.

The purpose of NHIS is to cover catastrophic out-of-pocket health expenditure, and it was designed as a key part of Ghana's poverty reduction strategy. The very poor are identified through the Livelihood Empowerment Against Poverty (LEAP) programme; eligibility is based on a poverty line.

Some of the challenges for NHIS are the financial sustainability of the scheme, identification and coverage of the poor, moral hazard (on the demand and supply side), mainstreaming of IT, and quality of care. The scheme enjoys bi-partisan political will and support and strengthens the public sector: 90% of patients in public facilities are NHIS members and over 85% of the income of public facilities is derived from NHIS.

Affordable healthcare

The case of the social institutional set-up is Gonoshsthaya Kendra (GK), or people's health centre, in Bangladesh – whose services cover 1.1 million people. Of these underserved poor across 629 villages, 38% are insured, while the non-insured receive full preventive care and family planning services.

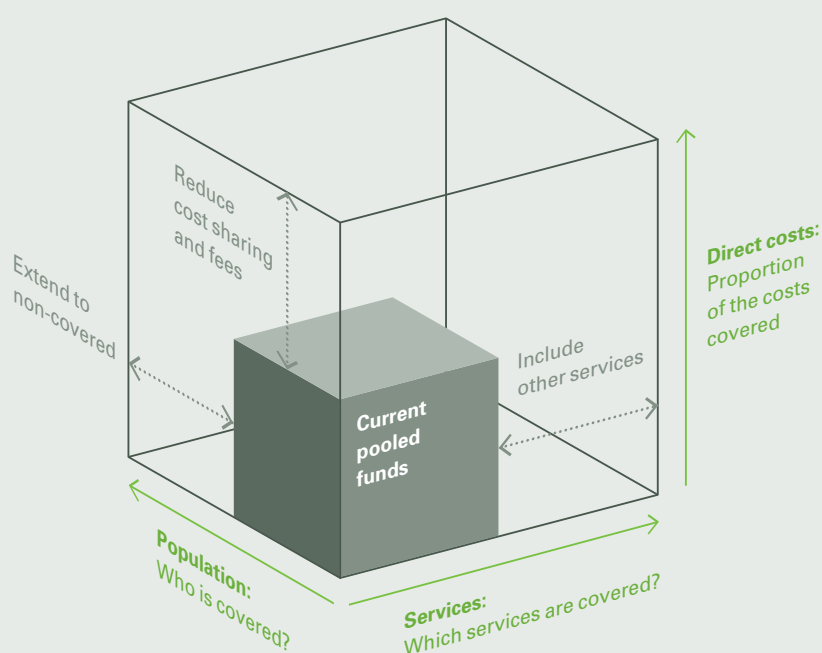
Gonoshsthaya Kendra (GK), Bangladesh

Number of people insured
418,000

Insured risks
Primary health setbacks, in-patient and maternity care

Premium range
US\$ 0.10 to 1.00

Figure 37
Universal coverage, developed by WHO:
Shows possibilities for universal coverage



Source: Otoo, Nathaniel. Presentation "Institutional arrangements for covering health needs of low-income households: Ghana's National Health Insurance Scheme (NHIS)". 8th International Microinsurance Conference 2012

Plenary 4

Institutional arrangements
for covering the health needs
of low-income households

GK's people-oriented healthcare services include: paramedics, well-trained and mostly female, and mobile clinics dispatched to rural communities; and five hospitals with over 650 beds in total plus 40 primary care clinics for the general public and for patients covered by GK's income-based health insurance.

For its service delivery and risk-pooling GK uses a mutual model. The insurance includes

- in-patient coverage for the family;
- maternity benefits;
- subsidised drugs.

The limit for in-patient care and maternity benefits is US\$ 675. The discounts on medications, along with the insurance premium and a co-payment, are based on the insured's socio-economic status. The status has four categories:

- Women and poor families in distress
- Farmers who are marginal and staving off starvation
- People who can afford to eat twice a day and have some surplus
- Those who have a good supply of food

The "smoking habit" also comes into play in premiums and discounts.

The premium ranges from US\$ 0.10 to 1.00. In spite of the nominal premium, GK has not so far scaled up to its potential. It now serves only about 38% of the 250,063 families in its target market. GK cites four reasons for this shortfall:

- Social-class-based health insurance is still a new concept.
- People think healthcare should be free of charge.
- Consumers doubt whether services would be available at the right moment with such low fees and charges.
- Government is reluctant to promote GK as it is not backed by the WHO, UNICEF or other donor agencies. There is no opportunity for officials to gain any perks from social-class-based health insurance.

When markets fail:**Health insurance and development**

Although Africa is home to about 10% of the world's population and carries almost half of the world's burden of communicable diseases, it spends not even 1% of global total health expenditure. Only a small percentage of investments in health made by the International Finance Corporation (IFC of the World Bank Group) was in Sub-Saharan Africa, and only 4% of total health expenditure in Africa is financed through health insurance.

In Africa, 50% of health facilities are private, but little capital is available. Why is more money pumped into the public system while half of the activities relate to the private sector?

In developed countries, the state plays a role in providing quality and affordable healthcare. In developing countries, this is more difficult to arrange, and health systems seem to be stuck in a vicious circle of low demand and low supply of healthcare (see Figure 38).

It is thus important to stimulate investment in the supply side; in the end this can increase demand.

One organisation that is helping create a virtuous circle is the Dutch NGO PharmAccess Foundation. It does this in two ways: by offering affordable health insurance, including upgrading contracted health facilities (public money), and by offering affordable credit for healthcare providers (private money).



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77 — Left to right:
Zafrullah Chowdhury,
Gonoshasthaya Kendra Trust,
Bangladesh; Onno Schellekens,
PharmAccess Foundation,
Netherlands.

78 — Nathaniel Otoo,
NHIF, Ghana.

79 — Facilitator:
Denis Garand, Denis Garand
and Associates, Canada.

The Health Insurance Fund offers (subsidised) health insurance to low-income groups in several Sub-Saharan African countries and, at the same time, improves the quality of health-care in the facilities linked to the programme.

The Medical Credit Fund provides credit to health facilities that cannot access the capital market. Loans to 2,000 clinics have been given out already. Public money was used first, which was then leveraged by private money. It is important to look at public-private partnerships more in the future.

PharmAccess received an award for its innovative financing model to improve African healthcare, which US President Barack Obama presented at the 2010 G20 summit in Seoul.

In the long term, health systems will only be successful if there is a logical, integrated approach, ensuring reduction of morbidity with public health, working with medical facilities to reduce over-provision, working with clients to reduce over-utilisation and working to ensure only the correct pharmaceuticals are prescribed. With a clear logical framework, there would be room for both public and private health insurance.

Health insurance fund insurance in several Sub-Saharan African countries

Number of people insured

Around 70,000

Insured risks

Health, both in-patient and outpatient care

Premium range

Ranges from US\$ 1.5 to 27.4 per annum

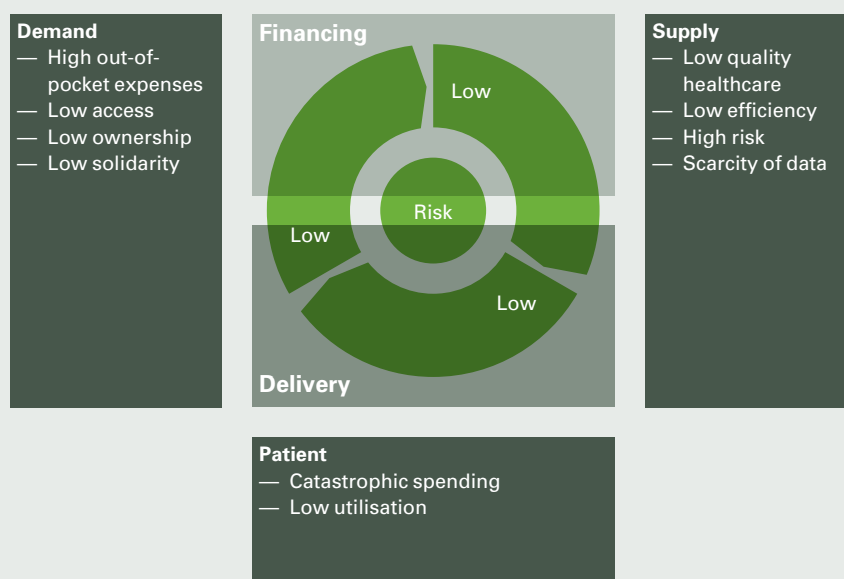
Lessons learnt

- There are different institutional options for providing health insurance for the poor – including public, private and public-private.
- For government programmes, full political support is important, and financial sustainability is a challenge.
- Public-private partnerships can help overcome the sustainability hurdle, if healthcare supply is business-oriented and attracts private investment.
- An innovative social-class-based healthcare and insurance system is serving the extremely poor and others below the poverty line in Bangladesh.
- In Africa, a lot of public money is spent on the public health sector, while a lot of services are being provided in the private sector. A Dutch NGO in Sub-Saharan Africa is showing how public and private money together can be put to work effectively.

Figure 38

Healthcare in Africa: A vicious circle

African health systems are stuck in a vicious circle of low demand and low supply of healthcare. Trust in the system is low.



Outlook session

Next steps in market development

This session examined future market development in Africa from a varied collection of viewpoints.

The African Insurance Organisation works to develop a healthy insurance industry in Africa, and to promote interregional cooperation. One key element of this is capacity building for providers, consumers and regulators.

Making Finance Work for Africa is becoming increasingly involved in microinsurance following the launching of the Africa Landscaping Study. MFW4A will join the MIN, and then look to introduce, if necessary, an African chapter of both donor and stakeholder working groups. MFW4A has been working closely with the Access to Insurance Initiative, particularly on landscape and diagnostic studies, and will continue to strengthen this relationship.

The International Association of Insurance Supervisors (IAIS) represents 190 jurisdictions and 97% of insurance turnover in the world, and works to secure and maintain stable insurance markets. IAIS joined with the Microinsurance Network to create a joint working group which prepared two issues papers on microinsurance-specific topics. The working group is now developing an application paper on regulation and another on mutuals.

The African Development Bank has less direct involvement in microinsurance, but it channels its resources to the sector through others. For example, it administers the Japanese government's Fund for African Private Sector Assistance (FAPA) available for technical assistance in microinsurance.

What the ideal future looks like, and how to get there

Visions of an ideal future for microinsurance include the following:

- Access to insurance is developed to such a degree that there is no need to talk about microinsurance any more – just insurance catering effectively for all segments of society.
- Microinsurance reaches a far greater scale.
- A strong, efficient, well-regulated market

Action is needed, but at the same time it must be recognised that progress in this industry will take time and patience. Furthermore, the development of microinsurance is connected with the development of financial systems as a whole, and cannot be taken in isolation.



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80 — Left to right:
Stefan Nalletamby, Making Finance Work for Africa, Tunisia;
Prisca Soares, African Insurance Organisation, Cameroon.

81 — Left to right:
Stewart Kinloch, African Development Bank, Tunisia;
Mustapha Lebbar, Chair of the IAIS-MIN Joint Working Group and Financial Inclusion Subcommittee of the IAIS, Morocco.

82 — Facilitator:
Brandon Mathews, Stonestep, Switzerland.

To achieve greater development of the financial system requires political commitment and a regulatory system which brings informal schemes into the formal sphere and ensures that the public is comfortable and its needs protected. This will require strong dialogue between political leaders, providers and consumers.

Sustained capacity building is needed to capitalise on the increased interest in microinsurance. Organisations should learn from one another through organised exchanges.

Technology must be leveraged, in particular for data collection.

It is also necessary to do more to engage with the target markets and to win their trust gradually. Products must echo clients' needs and preferences in order to close the gap between supply and demand.

A combination of private sector strengthening and the continued support of donors will be necessary to develop the sector further.

Looking ahead

In order to achieve a strong market in the future that is viable for insurers and beneficial for clients the following will be necessary:

- Development of the financial system as a whole
- A suitable regulatory environment
- Sustained capacity building
- Leveraging of technology
- Products better suited to client needs
- A combination of private sector strengthening and sustained donor support



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83 — Indra Catarya, Jiwasraya Life Insurance, Indonesia, presenting Indonesia as the host country for the 9th International Microinsurance Conference.



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84 — Professor Gamaliel Mgongo Fimbo, Chairman of the National Insurance Board, Tanzania, holding a copy of the Tanzania diagnostic study.

Field trip

A cooperative health plan for coffee farmers

The day after the conference, a group of about 40 participants went to the Kilimanjaro Native Cooperative Union (KNCU) to familiarise themselves with the KNCU Health Plan for the coffee farmers. It was an all-day event organised by PharmAccess, KNCU and MicroEnsure.

The visit was set up to capture the whole process from the harvesting of coffee beans in the field to the collection at KNCU as well as the implementation of the Health Plan: from registration to treatment and claim handling.

KNCU is Africa's oldest cooperative and represents over 150,000 small-scale coffee farmers organised in 92 primary societies. It was at the request of KNCU that the Health Plan was developed and introduced in 2011, with the help of MicroEnsure, the Dutch Health Insurance Fund and PharmAccess to improve access to healthcare for farmers. By paying a small premium, KNCU members and their families obtain access to affordable and quality healthcare in renovated facilities. In addition, the Health Plan protects them against health-related risks.

KNCU Health Plan

Number of farmers enrolled between July and December 2012
8,151

Benefit package

Primary care,
HIV/AIDS treatment,
maternal and child care,
chronic care

Average yearly premium
US\$ 9.25

Number of clinics in programme
Seven

Number of referral hospitals
Two

Top three reasons for visits

Lower respiratory tract infections,
malaria, hypertension

The Health Plan is funded by the Netherlands' Ministry of Foreign Affairs. The two organisations that worked with KNCU to develop and implement the Health Plan are the insurance intermediary Micro-Ensure and PharmAccess, a not-for-profit Dutch organisation dedicated to creating access to affordable, quality healthcare in Africa in a public-private approach.

Early on the morning of 9 November, the group was welcomed at the KNCU head office in the town of Moshi by KNCU Chairman Maynard Swai. "It is such an honour that this group of specialists is keen on learning more about our Health Plan. We believe that this plan can really make a difference in the lives of our farmers, for whom good physical health is essential for improving productivity."

After the welcome address, the group was split into two for the actual field visit. Each group visited a coffee collection point at a primary society, several households and a renovated health facility.



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85 — At the household of a farmer, Charles Kainkwa of MicroEnsure demonstrates the different approaches used to inform and educate clients of the Health Plan.

86 — Participants visit the office of Kibosho Central Primary Society to learn about the role KNCU plays in improving farmers' lives.

87 — A quality check of the coffee beans is conducted at the central collection point in Marangu Primary Society.

Primary society

At the primary society, the participants learnt more about coffee production, the farmers' livelihoods and the role that KNCU plays in improving the economic well-being of farmers. KNCU sells coffee collectively to get a better price for farmers, introduces a micro-credit for members, and implements a health plan.

Coffee farmer

The second event was a visit to a number of households. Sales teams from MicroEnsure demonstrated the different approaches for informing and educating the people about the Health Plan and managing the registration of participants. They showed how they go from door to door equipped with mobile devices such as computer tablets with interactive educational videos and brochures and posters to educate farmers on the benefits of health plans and insurance. Lastly, they demonstrated actual enrolment and collection of the premium.

Clinic

At the participating clinic, the process of determining the participation of clients was demonstrated, using health identification cards. In addition, participants were given a tour around the facility to view the expansion and improvements made under the programme. The renovated clinics have seen an increase in the number of patients.

Each facility in the programme has participated in an internationally recognised quality improvement programme called SafeCare. SafeCare is an initiative of Pharm-Access, the Council for Health Service Accreditation of Southern Africa (COHSASA) and the Joint Commission International (JCI) based in the USA.

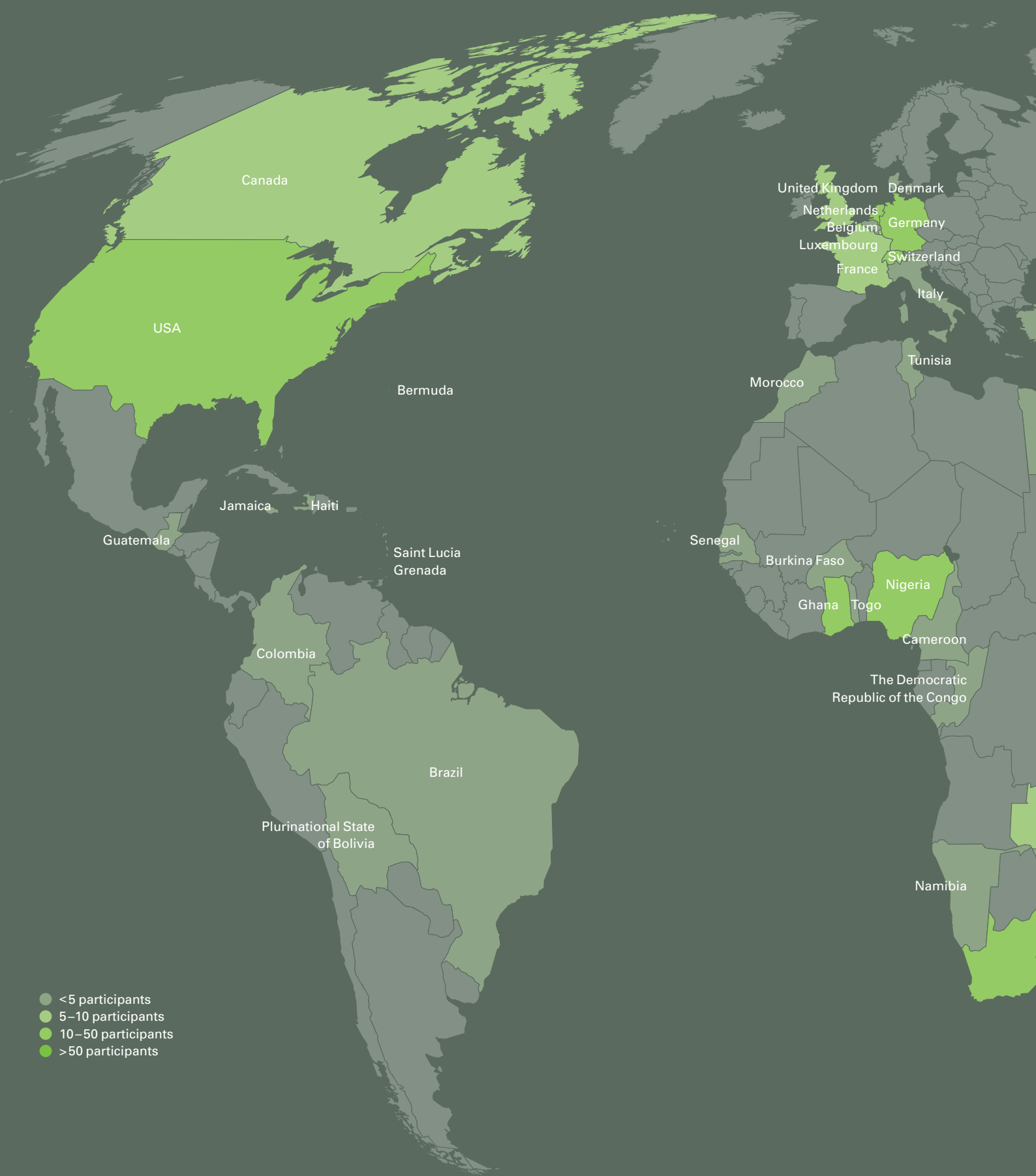
KNCU, MicroEnsure and Pharm-Access, were pleased that they had the opportunity to interact with an international group of visitors about the processes involved in the implementation of a health plan for the coffee farmers – such as community ownership, registration and quality healthcare that need to be in place to effectively implement a health plan.

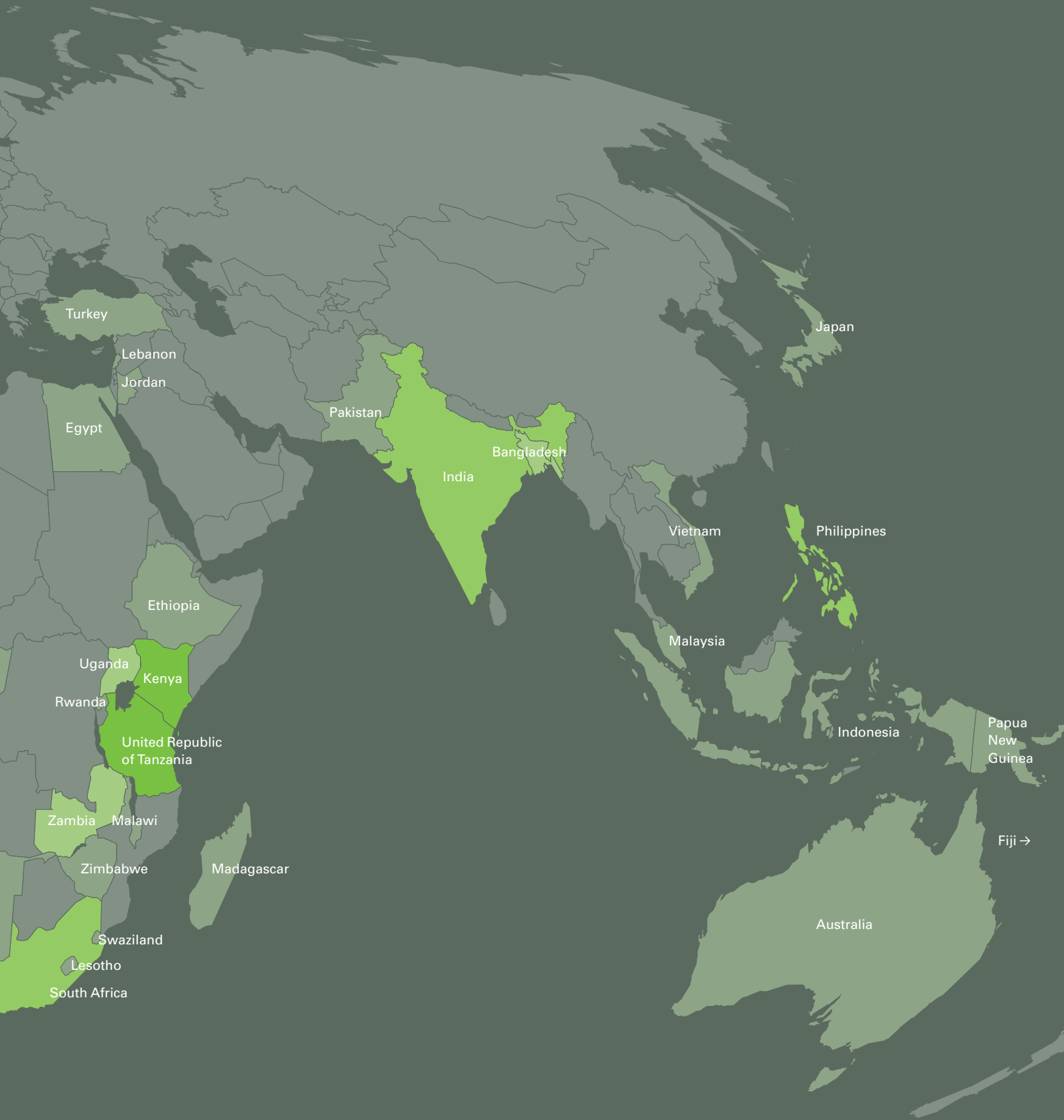
For more information about the organisations, please visit:
www.pharmaccess.org
www.microensure.com
www.kncutanzania.com



88 — At the health facility, visitors go over the improvements and renovations made under the programme.

Countries represented





Participating organisations

Australia AMUCSS New Perimeter	Germany A2ii/BMZ Access to Insurance Initiative BaFin Consultant Deutsche Welle Academy GIZ/BMZ Goethe University, Frankfurt Hannover Rückversicherung AG MFW4A Munich Climate Insurance Initiative (MCII) Munich Re Foundation Munich Reinsurance Company University of Göttingen University of Mannheim	India BASIX CARE CIRM Design and Research Labs DHAN Foundation FINO Paytech Limited IFFCO TOKIO General Insurance Co. Ltd. IndiaFirst Life Insurance Company Limited Insurance Regulatory and Development Authority IRDA J.B. Boda Reinsurance Brokers Pvt. Ltd. NABARD National Insurance VimoSEWA Cooperative Ltd. SEWA Uplift India Association Weather Risk Management Services Ltd.	Kenya Broadcasting Corporation Kenya Orient Insurance Limited Kenya Reinsurance Corporation MicroEnsure National Hospital Insurance Fund NHIF PharmAccess RCMRD Royal Media/Citizen TV Standard Group, Kenya Swedish Cooperative Centre Syngenta Foundation for Sustainable Agriculture Takaful Insurance of Africa UAP Insurance Company Ltd VisionFund International	Pakistan Jubilee Life Insurance Company Limited Naya Jeevan Securities and Exchange Commission	Switzerland Consultant IAIS ILO Microinsurance Innovation Facility International Labour Office MicroInsurance Centre SDC Stonestep GmbH Swiss Re Syngenta Foundation for Sustainable Agriculture United Nations Environment Programme Finance Initiative University of Zurich
Bangladesh Gonoshasthaya Kendra INAFI Institute of Microfinance SAJIDA Foundation	Bolivia, Plurinational State of Fundación PROFIN	Indonesia Bank Indonesia Jiwasraya Life Insurance	Lebanon Commercial Insurance	Papua New Guinea Office of Insurance Commissioner	Tanzania, United Republic of Z.B.C. TV News Room AAR Insurance (T) Ltd African Life Assurance Tanzania African Media Group Channel Ten Akiba Commercial Bank Alexander Forbes (T) Ltd Alliance Insurance Co. Ltd Alliance Life Assurance Aon Tanzania Ltd. AR Linkage Insurance Brokers Ltd. Astra Insurance Brokers Bank of Tanzania BBC World Service Changamoto Media Channel Ten – AMGL CIDR Clouds TV Cosmos Insurance Brokers CRDB – Microfinance Serv. Co. Ltd. Daily News Dar es Salaam City Press Club DCB Commercial Bank Plc Deutsche Welle Embassy of DR Congo FCB Insurance Agency Financial Sector Deepening Trust First Assurance GIZ Global Publishers Golden Crescent Assurance Guardian Habari Leo Heritage Insurance IERA FM Radio Impex Insurance Brokers Insurance Group of Tanzania Limited Insurance Institute of Tanzania Intertrade Express Limited IPP Media ITV/Capital Television ITV/Radio One
Bermuda Haverford Bermuda Limited	Brazil Bradesco Auto/Re Cia. de Seguros CNSEG/FENASEG SINAF Seguros	Italy Amici del Mondo – World Friends Onlus IFAD – International Fund for Agricultural Development	Lesotho Central Bank of Lesotho Ministry of Finance	Philippines CARD MBA Cebuana Lhuillier Insurance Solutions Consultant Father Saturnino Urios University GIZ Insurance Commission Mapfre Insular Insurance Corporation Negros Women for Tomorrow Foundation Inc Paglaum Multi-Purpose Cooperative USWAG Development Foundation	Rwanda Access to Finance Rwanda
Burkina Faso UAB VIE	Cameroon African Insurance Organisation	Jamaica Jamaica International Insurance Company Limited	Luxembourg Grameen Crédit Agricole Microfinance Foundation Microinsurance Network	Saint Lucia EC Global Insurance Company Limited Ministry of Finance, Economic Affairs and Social Security	Senegal PlaNet Guarantee Transvie
Canada Denis Garand and Associates Développement international Desjardins ID&CS ILO Microinsurance Centre	Colombia ILO/FASECOLDA	Japan Japan Productivity Center	Malawi MUSCCO	South Africa Arrowpoint Consulting Cenfri Financial Services Board Greenraven Consulting Hollard Insurance IFC ILO Microinsurance Innovation Facility Fellow Metropolitan International Nando's Nigel Bowman Actuarial Consulting Old Mutual Sanlam South African Insurance Association University of Cape Town Yellowwoods Ventures Investment	Swaziland Financial Services Regulatory Authority
Congo, Democratic Republic of the SONAS rdc	Congo, Democratic Republic of the SONAS rdc	Jordan Microfund for Women	Madagascar AFAFI Inter Aide	Rwanda Access to Finance Rwanda	Swaziland Financial Services Regulatory Authority
Denmark Copenhagen Business School	Denmark Copenhagen Business School	Kenya Africa Medilink Limited African Reinsurance Corporation APA Insurance Apollo Investments Association of Kenya Insurers Cannon Assurance Chartis Kenya Insurance Company Ltd CIC Insurance Group CIC Life Assurance Continental Reinsurance Equity Bank Limited Family Bank Fidelity Shield Insurance Co. Ltd. GIZ Heritage Ins Co Kenya Ltd Insurance Regulatory Authority Intra Africa Assurance Company Limited Jubilee Insurance Company Jumuia Fund for Development	Malawi MUSCCO	Senegal PlaNet Guarantee Transvie	Swaziland Financial Services Regulatory Authority
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Jibu La Maisha	Turkey
Jubilee Insurance Company	IFC
Lion of Tanzania	Uganda
Maxinsure (Tanzania) Ltd	FIREL
Mgen Tanzania	GIZ
MicroEnsure	Insurance Regulatory Authority
Milembe Insurance Co Ltd	Jubilee Insurance Uganda
Ministry of Finance and Economic Affairs	Uganda Broadcasting Corporation television
Mlimani Media	Uganda Insurers Association
Momentum Tanzania Insurance Company	
Mwana Habari Newspaper	United Kingdom
Mwananchi Comm Ltd	IAA/UK Actuarial MI Working Group
Nafaka Project	ICMIF
NAFAKA Staples Value Chain Activity	Institute of Actuaries Microinsurance Working Party
National Insurance Corporation	LeapFrog Labs
National Social Security Fund	MicroEnsure Microinsurance Research Centre
New Habari Ltd	University of Oxford/ World Bank
Niko Insurance (Tanzania) Limited	
Outassurance	United States
PharmAccess Foundation	Abt Associates
Phoenix of Tanzania Assurance Co. Ltd.	Columbia University
TBG 2	EA Consultants
Radio 5	Financial Inclusion Foundation
Radio Kilifu	GBRW Inc
Reliance Insurance Company (T) Ltd	Georgia State University
Sahara Media Group (T) LTD	Global Insurance Consulting
Star General Insurance Tanzania Limited	IADB
Strategis Insurance	Illinois State University
TAN-RE	ILO Microinsurance Innovation Facility
Tanzania Broadcasting Corporation	IRI
Tanzania National Reinsurance Corporation Limited	Meiji Yasuda America, Inc.
TBC 1	Mercy Corps
The Citizen Ltd.	Microinsurance Centre
The Guardian	Milliman
Thorn	Office of the UNSGSA
TIRA	Swiss Re
Top Radio	The World Bank
TSN	Vietnam
Tumaiwi Media	TYM
TV Sibuka	
Uhuru Publications LDT	Zambia
Wapo Radio	FinMark Trust
Zanzibar Broadcasting Corporation	ILO
	Madison Finance Company Ltd
	Madison Life Insurance Company
	Pensions and Insurance Authority
Togo	Professional Insurance Corporation Zambia Ltd
INAM	Professional Life Assurance
Tunisia	ZSIC Life Ltd
African Development Bank	
MF44A/AfDB	Zimbabwe
	First Mutual Life

Figure 39
Number of participants
per country

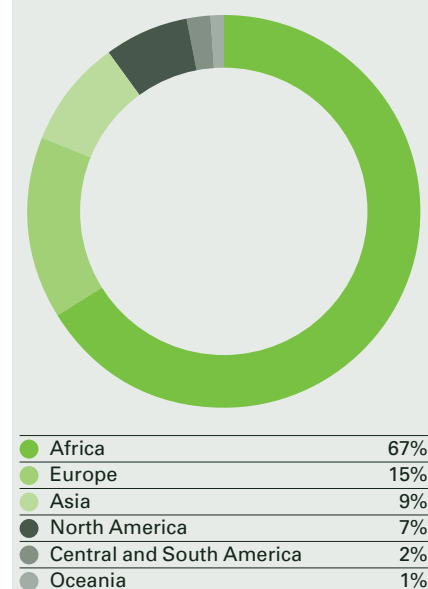
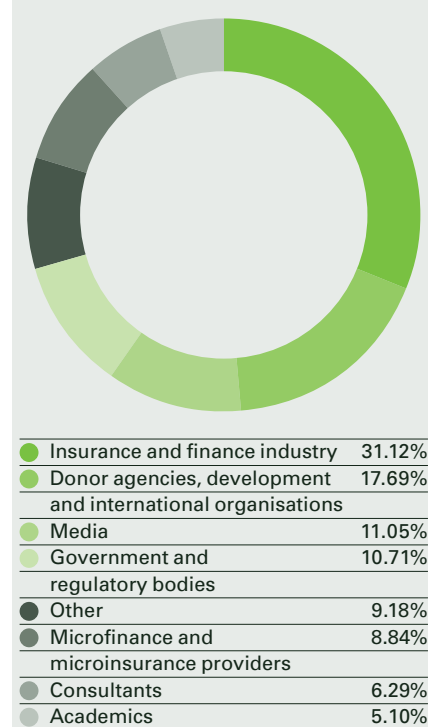


Figure 40
Type of representatives



Acronyms

AfDB African Development Bank	EOYM End of year members	IAIS International Association of Insurance Supervisors	MBA Mutual benefits association	RCT Randomised controlled trial
AIO African Insurance Organisation	EPSS Empresa Promotora de Servicios de Salud	IBRD International Bank for Reconstruction and Development	MBP Mutual benefit programme	RDU Rank dependent utility
AKI Association of Kenyan Insurers	ETB Ethiopian birr	IC Insurance Commission, the Philippines	MDTF Multi-donor trust fund	RSBY Rashtriya Swasthya Bima Yojana
AICI Agricultural Insurance Corporation of India	EUT Expected utility theory	ICMIF International Cooperative and Mutual Insurance Federation	MFI Microfinance institution	SECP Securities and Exchange Commission, Pakistan
ARS Assurance Récolte Sahel	FSB Financial Services Board, South Africa	ICT Information and communications technology	MI Microinsurance	SINAF Sistema Nacional de Assistência à Família, or National System for Family Assistance
ATI Association of Tanzanian Insurers	FSDT Financial Sector Deepening Trust	IFC International Finance Corporation	MICRO Microinsurance Catastrophe Risk Organisation	TA Technical assistance
a2ii Access to Insurance Initiative	G20 A group, formed in 1999, of finance ministers and central bank governors from 19 of the world's largest economies (G7 plus 12), and the European Union.	ILO International Labour Organization	MILK Microinsurance Learning and Knowledge	TIRA Tanzania Insurance Regulatory Authority
BRS Belgian Raiffeisen Foundation	GDP Gross domestic product	InM Institute for Microfinance	MIN Microinsurance Network	ToT Tutorial
CARD The Center for Agriculture and Rural Development	GIIF Global Index Insurance Facility	INR Indian rupee	MFW4A Making Finance Work for Africa	TPA Third-party administrator
CBHI Community-based health insurance	GIZ/BMZ Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation)/ Bundesministerium für wirtschaftliche Zusammenarbeit (German Federal Ministry for Economic Cooperation and Development)	IRA Insurance Regulatory Authority, Uganda	MKUKUTA Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania (Kiswahili for the National Strategy for Growth and Reduction of Poverty in Tanzania)	UNSGSA United Nations Secretary-General's Special Advocate for Inclusive Finance for Development
CBWG Capacity Building Working Group	GPS Global Positioning System	IRA Insurance Regulatory Authority, Kenya	M-PESA Mobile pesa (Swahili for money), mobile-phone-based money transfer and microfinancing service	US\$ United States dollar
CEAR The Center for the Economic Analysis of Risk at Georgia State University, USA	GRET Groupe de Recherche et d'Echanges Technologiques	IRDA Insurance Regulatory and Development Authority	NABARD National Bank for Agriculture and Rural Development, India	VAS Value-added services
CHAT Choosing Health plans All Together	GSU Georgia State University	IT Information technology	NAICOM National Insurance Commission, Nigeria	VND Vietnamese dong
CHF Community health fund	HARITA Horn of Africa Risk Transfer for Adaptation	KES Kenyan shilling	NAIS National Agricultural Insurance Scheme, India	WBCIS Weather-based crop insurance scheme
CHW Community health worker	HEF Health equity fund	KNCU The Kilimanjaro Native Cooperative Union	NGO Non-governmental organisation	WHO World Health Organization
CIS Commonwealth of Independent States	HMF Health mutual fund	KPI Key performance indicator	NIC National Insurance Commission, Ghana	ZAR South African rand
CPRA Constant relative risk aversion		LEAP Livelihood Empowerment Against Poverty	PACE Product, access, cost and experience	
CLIMBS Co-op Life Insurance and Mutual Benefit Services		LLC Limited liability company	PDR People's Democratic Republic	
CPT Cumulative prospect theory			PFIP Pacific Financial Inclusion Programme	
CNSeg Confederação Nacional das Empresas de Seguros			PPP Public-private partnership	

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