THE LANDSCAPE OF MICROINSURANCE
IN LATIN AMERICA AND THE CARIBBEAN

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From Knowledge to Action

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Multilateral Investment Fund
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María Victoria Sáenz, Lead Specialist from the MIF, coordinated this work.

MULTILATERAL INVESTMENT FUND (MIF)
www.fomin.org] I mifcontact@iadb.org

CITI FOUNDATION
www.citigroup.com/citi/foundation

MICROINSURANCE CENTRE
www.microinsurancecentre.org
mjmccord@microinsurancecentre.org

MUNICH RE FOUNDATION
www.munichre-foundation.org
info@munichre-foundation.org

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/ ABBREVIATIONS

A	Accident
ACP	Acción Comunitaria del Perú
ADD	Accidental death and disability
AIC	Alternative Insurance Company
AMUCSS	Asociación Mexicana de Uniones de Crédito del Sector Social (Mexican Association of Social Sector Credit Unions)
AMIS	Asociación Mexicana de Instituciones de Seguros (the Mexican Association of Insurance Institutions)
BANSEFI	Banco del Ahorro Nacional y Servicios Financieros, S.N.C. (National Savings Bank and Financial Services, S.N.C., Mexico)
CDB	Caribbean Development Bank
CDF	Cumulative distribution function
CL	Credit life
Centro AFIN	Centro Internacional de Apoyo a las Innovaciones Financieras (International Center for Financial Innovation Support)
CNSeg	Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização (National Confederation of General Insurance, Private Pension and Life, Supplementary Health and Capitalization)
CNSF	Comisión Nacional de Seguros y Fianzas (National Commission of Insurance and Finance, Mexico)
CONDUSEF	Comisión Nacional para la Defensa de los Usuarios de las Instituciones Financieras (National Financial Institution Consumer Protection Commission, Mexico)
DFID	Department for International Development
FASECOLDA	Federación de Aseguradores Colombianos (the Colombian Federation of Insurers)
FIDES	La Federación Interamericana de Empresas de Seguros (the Inter-American Federation of Insurance Companies)
FOMIN	Fondo Multilateral de Inversiones (Multilateral Investment Fund of the IDB)
GDP	Gross Domestic Product
H	Health
IDB	Inter-American Development Bank

IAIS	International Association of Insurance Supervisors
ICP	Insurance core principal
IFC	International Finance Corporation
ILO	International Labour Organization
INISER	Instituto Nicaragüense de Seguros y Reaseguros (Nicaraguan Institute of Insurance and Reinsurance)
IT	Information Technology
L	Life
LAC	Latin America and the Caribbean
LR	Loss ratio
MFI	Microfinance institution
MI	Microinsurance
MiCRO	Microinsurance Catastrophe Risk Organization
MIF	Multilateral Investment Fund (of the IDB)
MM	Millions
NGO	Non-governmental organization
P	Property
PEN	Peruvian Nuevos Soles
PPP	Purchasing Power Parity
REDCAMIF	Red Centroamericana y del Caribe de Microfinanzas (Central American and Caribbean Microfinance Network)
USD	United States Dollars
VAT	Value added tax
WP	Written premiums

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EXECUTIVE SUMMARY

The microinsurance sector in Latin America and the Caribbean (LAC) has recently experienced tremendous growth in life and accident coverage as well as a notable increase in products covering multiple risks. Despite some significant initiatives, primary health and property microinsurance coverage remains extremely limited. In the eleven countries for which previous data was available, the total number of people and properties identified as covered by microinsurance grew by 125% over the six years from 2005 through the end of 2011. Within the region, the five largest microinsurance markets - Mexico, Brazil, Colombia, Peru, and Ecuador - remain dominant, as these countries account for 90% of all microinsurance coverage in LAC.

KEY FINDINGS

A total of 108 respondents from 19 countries where microinsurance was identified responded to the survey, providing data for 99 providers (see Box 1). The number of identified microinsurance products stands at 159. At the end of 2011, they provided cover to over 45.5 million lives and properties. As a result, 7.6% of the total LAC population benefits from microinsurance cover. More than 55% of this coverage is found in Mexico and Brazil, where 14.7 million and 10.4 million lives and properties were identified as insured, respectively.

The study identified that life microinsurance products reached 32.5 million people, while 15.9 million were identified as covered through credit life. Health microinsurance products covered at least 10.3 million, and 24.0 million people benefit from accident cover. About 2.9 million properties are protected through corresponding microinsurance products. Many of these products are offered as riders and add-ons to a primary microinsurance product, which is reflected in the fact that the sum of lives and properties covered by individual product types is greater than the 45.5 million unique lives or properties identified by the study.

BOX 1:

KEY NUMBERS:
20 countries studied
19 countries with MI
108 respondents
99 providers
159 total products
THE STUDY IDENTIFIED:
7.6% of LAC covered
45.5 MM lives or properties
32.5 MM Life
24.0 MM Accident
15.9 MM Credit life
10.3 MM Health
2.9 MM Property
0.3 MM Agriculture

GROWTH

A 2005 study of the world's 100 poorest countries[1] identified coverage in 11 LAC countries covering a total of 7.9 million lives and properties. The current study identified 45.5 million lives and properties covered in 20 countries. The 11 countries which were included in the 2005 study grew 125% between 2005 and 2011, adding 9.9 million lives to cover a total 17.8 million. In absolute terms, close to 90% of this growth is due to growth in Colombia, Ecuador, and Peru. Other microinsurance markets in LAC have stagnated or shrunk due to regulatory constraints, most notably Panama, with a total growth of 3%, and Venezuela, with a total growth of negative 97%.

Although microinsurance coverage has considerably increased, the market described in 2005 has not drastically changed. Life products remain dominant, although non-credit life coverage is now greater than credit life coverage. Accident coverage has grown the most; however, this is linked with the growth in life products because over 50% of those covered for accident are covered through a secondary cover mainly on life products. Secondary covers also account for a substantial amount of health and property covers as well, accounting for 96% and 84% of those covered, respectively.

In terms of the relative distribution of microinsurance, little has changed since 2005. Of the 11 countries studied in 2005, Colombia, Peru, and Ecuador accounted for 91% of all coverage; in 2011 they accounted for 89% of all coverage in that set of countries. While it is positive that the gap in distribution has not increased, the smaller microinsurance markets have not grown enough to significantly close the gap in coverage.

PROVIDERS & DELIVERY CHANNELS

By numbers, commercial insurers are the most common type of microinsurance provider in LAC and cover the vast majority of all lives and properties that are insured. Cooperatives and mutuals were the second most common type of provider, and a handful of NGOs, community-based organizations, and government companies reported offering microinsurance. For delivering microinsurance to the end clients, MFIs remain the largest channel. Brokers, retailers, and insurers' staff are also common, but there is a very wide range of delivery channels used in LAC.

FINANCIAL PERFORMANCE

Survey participants reported premium information for 87% of the identified covered lives and properties and loss ratios for 70%. The premiums generated in 2011 that were reported totaled USD 860 million. The loss ratios reported for life, accident, and health products varied widely, although almost all were between 10% and 70%. Property products had much lower loss ratios; all reported loss ratios of less than 30%. However, property loss ratios are more volatile from year to year, so the client value proposition cannot yet be concluded.

1 Roth, Jim, Michael J. McCord, and Dominic Liber. "The Landscape of Microinsurance in the World's 100 Poorest Countries". Appleton: MicroInsurance Centre, 2007.

COUNTRY CLASSIFICATION

The differences in microinsurance outreach, recent growth, and product diversity across LAC are obvious. Efforts to statistically explain recent growth in microinsurance through macroeconomic indicators, the human development index, or other variables failed to provide statistically significant results. In the absence of simple, objective indicators as drivers behind the dynamics of national microinsurance markets, the research team defined observable criteria which allow for a classification system. Each country was classified as one of the following four market types: the Hybrid model, the Mass Market-led model, the Credit Market-led model, and the Frontier Market.

From the perspective of massively expanding microinsurance throughout LAC, each market type has unique challenges and will require different interventions. The Frontier markets need the basics to help insurers, distribution channels, and potential clients understand microinsurance and the tools to be effective at providing access to good quality risk management. The credit-led countries have tended to stay with limited product offerings and with limited distribution channels. These markets will need product variety, an expanded array of intermediaries, ways to more effectively manage and monitor efficiencies, mild levels of consumer protection interventions, and a range of products that are not linked to credit, including voluntary products. The mass market-led countries tend to have a large and growing middle class, which can overshadow the need to reach lower income groups. These countries have important gaps in terms of regulatory matters and have not expanded to distribution channels outside of the retail markets. In addition to expanding delivery channels, these countries will also need to offer a broader range of products. The hybrid market countries reflect the peak of microinsurance evolution in LAC currently. These countries utilize a wide range of delivery channels, which has allowed them a large outreach and prepares them for future growth. However, they lack regulatory guidelines that might preserve the continued growth, such as consumer protection considerations and improved regulatory structures, and due to the importance of delivery channels, these countries experience high commission requirements, which can drive premiums up and client value down.

CONCLUSIONS

Despite the region's relatively high coverage ratio of 7.6%, almost twice that of Africa for example, there is much room for improvement in providing for the low-income market's risk management needs. This study has identified some key areas for future efforts at developing the microinsurance market in Latin America and the Caribbean:

- **LEGAL FRAMEWORKS:** Although microinsurance has evolved in LAC primarily in the absence of specific microinsurance legal frameworks, it is clear from the responses of insurers that such legal frameworks are now needed to promote microinsurance as well as to clarify the related microinsurance legal issues. Key issues to address include inclusive insurance, distribution channels, implementation, consumer protection, and tax policy.

- **MARKET EDUCATION:** Helping the market understand the benefits, issues, and uses of microinsurance is important: 85% of insurers believe that the low-income market in LAC does not understand insurance. Strategies should be developed to meet the needs of each country, and monitoring the effectiveness of market education approaches will be crucial for finding the most financially efficient methods.

- **COST STRUCTURES AND PRICING:** Some countries are experiencing very high levels of commission being required to attract the large distribution channels. Efforts to really understand the level of costs are lacking and could help to rationalize the commission requirements and bring down premium rates. In general, helping institutions to understand their cost structures will not only benefit the institutions but will also help institutions offer greater value to clients.

- **ACTUARIAL CAPACITY:** Quantification of risk for microinsurance in LAC is typically based on institutional experience rather than actuarial data that covers the low-income market. Actuarial capacity building, including development of risk tables covering the low-income market, would benefit microinsurance expansion in the region.

- **BUILDING UP THE MESO LEVEL** of microinsurance support in the region will help to improve microinsurance value and volumes. This might include capacity building of insurance associations and capacity building in microinsurance for insurance training institutions with FASECOLDA in Colombia and CNSeg in Brazil as examples, and including e-learning and follow-up components.

- **TECHNOLOGY ENHANCEMENTS:** Efficient microinsurance relies on both front office and back office technologies. Systems to more efficiently manage the volumes of microinsurance appear limited throughout the region. Technology to facilitate the client experience (while reducing operations costs) from application to claims settlement have the potential to make a massive change in the microinsurance currently being offered.

Across all future efforts to develop the microinsurance sector, effective dissemination and leveraging of lessons and tools will be crucial. Too many lessons in the region go unrevealed. A system could be developed that helps the appropriate market players receive and implement the information. Simply distributing documents is not enough to result in significant change in the region. Alternative methods also need to be tested and implemented, including: experience exchanges, segmented and focused audience dissemination, case studies, and implementation assessment. This could be an important role for local and regional insurance associations as well as donors.

1

BACKGROUND AND MOTIVATION FOR THE PROJECT

Over the past decade, microinsurance has gained recognition among the development community for the benefits it can provide to low-income populations and among the insurance industry for its ability to access a previously untapped market. However, microinsurance is still a nascent and complex industry involving many stakeholders and operating in a variety of environments. This youth and complexity make it difficult to answer industry-wide questions such as what are the best distribution channels or what is an appropriate loss ratio.

These types of "best practices" questions are also challenging because there is simply a lack of industry-wide data. The majority of knowledge about microinsurance has come from country or company case studies. While these works can be informative on an entity level, they generate little information about the microinsurance industry as a whole. Thus it is difficult to identify gaps in products or coverage and trends across time. To date, there have only been two large-scale microinsurance industry-level landscape studies: the "Landscape of Microinsurance in the World's 100 Poorest Countries" (Roth, McCord, and Liber, 2007) and the "Landscape of Microinsurance in Africa" (Matul, McCord, Phily, and Harms, 2010).

An in-depth knowledge of the microinsurance landscape is tremendously important for the effective development and expansion of microinsurance. This microinsurance landscape study is the first to focus specifically and comprehensively on the region. A wide variety of stakeholders will benefit from this work:

INSURERS will begin to understand how their results fit in the broader realm of microinsurance. By generating this information on a reliable basis, insurers will have benchmarks to compare against and hopefully improve their products and multiply their successes. This paper should help insurers understand gaps and trends in microinsurance, possibly leading to identification of opportunities.

DONORS need to have a better understanding of what is happening in microinsurance so that they can more effectively focus their interventions and improve coordination among the various donors. It is important that donors intervening in these markets focus on areas where they will have the best possible impact. Ideally, substantive identified gaps will become areas of particular focus.

DISTRIBUTION CHANNELS need to see what is out there in different, though similar, countries. They also need to have an understanding of the benchmarks for key indicators for microinsurance so that they will better understand what to reasonably expect from their partner insurers.

CONSULTANTS will also benefit from understanding the details of microinsurance development in the region.

If we do not know what is happening in the market, we cannot make it better. This study should help all parties identify improvements that will lead to better products and service for low-income clients.

1.1.
OBJECTIVES OF THE STUDY

The Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB) has recognized the need for a regional study of microinsurance in Latin America and the Caribbean (LAC) and has funded this study as part of the MIF's strategy for enhancing development of microinsurance in the region.[2] In order for the MIF to effectively intervene in microinsurance development and enhancement, it is necessary to understand the current landscape in the region. Understanding gaps as well as their relative importance as a hindrance to microinsurance development and enhancement will provide a blueprint for effective interventions in improving access.

The specific objectives of this landscape project are threefold:

- Understand the state of knowledge of and access to microinsurance in Latin America and the Caribbean; this study will represent the baseline for the MIF's Microinsurance Agenda.
- Identify the gaps in both knowledge of and access to microinsurance.
- Identify opportunities supported by data to make a significant and dramatic impact in expanding microinsurance.

1.2.
MICROINSURANCE DEFINITION

Despite widely recognized differences between microinsurance and traditional insurance, there is no single accepted industry-wide definition of microinsurance.[3] Different individuals, organizations, and countries define microinsurance in a variety of ways. For the purposes of this study, a product is defined as microinsurance if it generally meets the following definition. A more detailed definition can be found in Appendix 1. Microinsurance is insurance that is modest in both coverage and premiums. Premium levels must be based on the types and amounts of risks insured. Additionally, in order to be considered microinsurance, products must meet the following characteristics:

- Target population: the product is developed intentionally to serve low-income people; it is not insurance that is purchased also by low-income people, but insurance that is designed to reach low-income people.
- Non-government risk carrier: the government is not the risk carrier; social security programs, even if they target the low-income, are not considered microinsurance.
- Goal of sustainability: the objective of product results is ultimately profitability, and thus should be trending towards profitability or at least sustainability.
- Minimal subsidies: the product must require no, or at most minimal, direct subsidies.

2 This study was also funded in part by the Citi Foundation and the Munich Re Foundation.

3 Ingram, Molly and Michael J. McCord. "A Discussion Paper – Defining 'Microinsurance': Thoughts for a journey towards a common understanding". Appleton: MicroInsurance Centre, 2011.

Premium levels were considered when determining whether a product should be viewed as microinsurance. As premiums vary based on the risks covered, the study generally considered microinsurance to have premiums below 1% of GDP/capita for life and accident products, 4% for health, and 1.5% for property and agriculture products.

As this definition excludes products that other studies, governments, or organizations may market as, or consider to be microinsurance, the numbers reported here may differ from those of others. This is particularly important when considering property microinsurance, most notably agriculture products, which frequently include heavy government involvement, or insurance products that are mainly used by the middle-income populations even though the products may be financially accessible to low-income populations. Additionally, countries in Latin America with a large and rapidly growing middle class, such as Brazil, make very little distinction between mass market products and microinsurance. Finding the definitional distinctions between mass and microinsurance for this study has proven challenging. Figure 1 shows the results of the team's efforts. Note that the sum of the product components is greater than the total lives or properties covered because of bundled products and riders.[4]

FIGURE 1:
RESULTS SUMMARY

20 countries studied
19 countries with MI
108 respondents
99 providers
159 total products
THE STUDY IDENTIFIED:
7.6% of LAC covered
45.5 MM lives or properties
32.5 MM Life
15.9 MM Credit life
24.0 MM Accident
10.3 MM Health
2.9 MM Property
0.3 MM Agriculture

1.3.
METHODOLOGY

Twenty countries were jointly identified for in-depth review in the region in collaboration with the MIF. These countries were selected based on an understanding of existing microinsurance activities. A rapid review of other countries in the region did not result in the identification of other microinsurance programs.

4 For example, a bundled product with life, health, and property cover would be reported as one each for life, health and property covers, but only one total life or property covered.

The questionnaire (see Appendix 4) was developed and vetted with appropriate parties. It was pilot tested on three insurers and adjustments were made based on comments from reviewers and testers. The questionnaire was translated into Spanish and Portuguese and posted on "Survey Monkey" for ease of input.

Introduction emails were sent to all insurers in the selected countries. The emails contained letters from the MicroInsurance Centre and the MIF. The emails and letters explained the role of the survey and detailed logistical information for its completion. The letters included a confidentiality statement promising that the individual institution data would not be disseminated. Additionally, several companies required signed non-disclosure agreements.

Also to enhance potential response rates, nine countries were selected for visits by team members based on their volume of microinsurance. Team members met with senior managers of each of the companies in the selected countries to explain the questionnaire and address any questions or concerns. Institutions that aggregate data from insurers were also visited or contacted to provide data that they might have on microinsurance in their countries or regions. Follow-up contacts by phone, Skype, email, and in some cases additional visits, were implemented to prompt responses and reconfirm data provided.

This paper reports what the team was able to identify as microinsurance in accordance with the stated definition. Researchers primarily relied on the goodwill of microinsurance providers to voluntarily share company information. In addition to being willing, the insurers also had to be able to identify the microinsurance data from within their records. As there is no standard method for tracking covered lives and properties or policies in force for microinsurance, this identification proved challenging to some insurers.[5] For these reasons, the data for this study is not an absolute measure of microinsurance in LAC. However, the dataset is large enough to reasonably represent the "Landscape" of microinsurance and present an accurate picture of the market and where it is going. For a more detailed discussion of how the data was collected and other considerations of the study, refer to Appendix 1.[6]

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5 The MicroInsurance Centre has proposed a consistent approach to counting various components of covered lives and has recently been trying to build a consensus around these definitions. Support for this approach would help in generating a more consistent "language" around microinsurance. See Koven and McCord, 2012.

6 Ultimately, wide ranging microinsurance will need to be more efficiently tracked by supervisors and / or insurance associations using Key Performance Indicators such as those developed by the Microinsurance Network (Wipf and Garand, 2010). Two excellent examples are (1) the Philippines where an adapted version of these KPIs is collected by law by the Insurance Supervisor, and (2) FASECOLDA in Colombia where the insurance association takes on the collection role. Supervisors and associations should be encouraged to promote segregation of data and microinsurance data tracking among insurers.

1.4.

MICROINSURANCE LANDSCAPE IN LAC

In Latin America and the Caribbean, researchers studied 20 countries in-depth and found microinsurance in 19 of them.7 In these 19 countries, a total of 45.5 million lives and properties covered by microinsurance were identified. Figure 2 is a map of the region labeled with the volumes of lives or properties identified as covered in each country (in millions). The dots indicate the relative microinsurance coverage in each country, which is defined here as the percentage of a country's population covered by microinsurance. This is particularly important when comparing the markets in countries with drastically different populations such as Brazil and Bolivia.8

When reading this study it is important to remember that the landscape of microinsurance is complex, shaped by the interactions of a wide variety of stakeholders including regulators, donors, providers, distribution channels, and clients. Microinsurance products are affected by all of these actors. While this report discusses the different elements of the microinsurance landscape independently, in practice they cannot be entirely separated from one another.

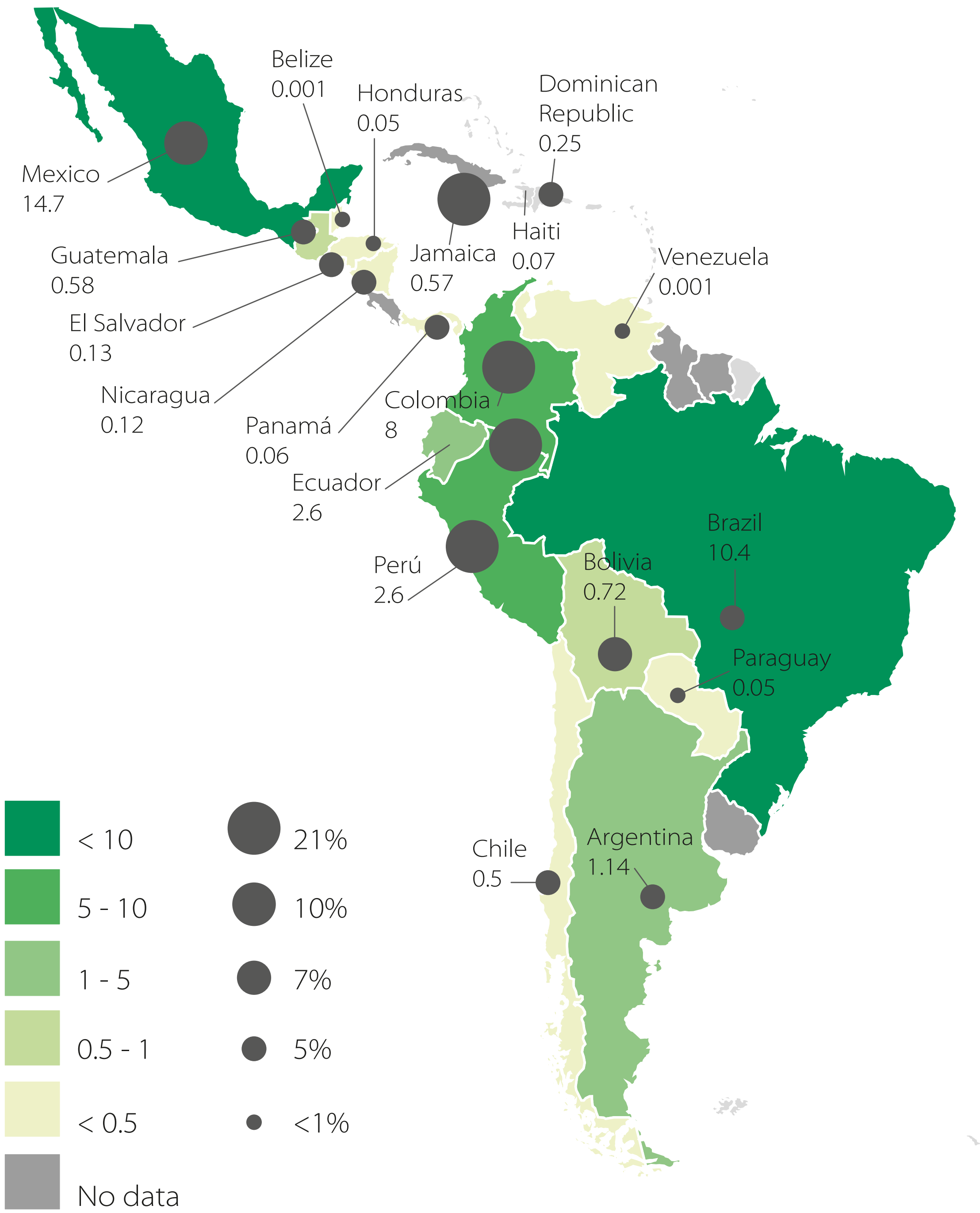
To establish the current landscape, this report first details the microinsurance coverage in the region as well as the variety of products available. Following this is a description of the separate microinsurance stakeholders, each stakeholder's role in building the present landscape as well as how they may shape the future of microinsurance in the region.

Just because there may be a significant coverage ratio of microinsurance in a country or region does not necessarily mean that people are well covered by a good and appropriate variety of microinsurance products.

7 A full list of the countries studied in-depth can be found in Appendix 2. No microinsurance was found in Costa Rica. Full data from the study can be downloaded from interactive maps at: http://www5.iadb.org/mif/default.aspx and at www.microinsurancecentre.org.

8 For each country, the number identified as covered by microinsurance was divided by the total population of the country, based on the 2010 population numbers provided by the World Development Indicators published by the World Bank. Although it might be more helpful to use the population in poverty as the denominator, this was not done due to the very likely distortionary effect of definitional differences. The population-in-poverty figures are based on income figures, and it is not reasonably possible to collect data from insurers based on the income levels of their insureds. Thus, we believe that there would have been substantial potential for over-reporting coverage ratios if we were to use low-income population figures as the denominator to the coverage calculation.

FIGURE 2: LIVES AND PROPERTIES COVERED IN LAC (IN MM)



1.4.1.
COVERAGE

TABLE 1: MI COVERAGE RATIOS

RANK	COUNTRY	MICROINSURANCE COVERAGE RATIO
1	JAMAICA	20.9%
2	PERU	18.2%
3	ECUADOR	18.2%
4	COLOMBIA	17.2%
5	MEXICO	13.0%
6	BOLIVIA	7.2%
7	BRAZIL	5.4%
8	GUATEMALA	4.0%
9	ARGENTINA	3.4%
10	CHILE	2.9%

Microinsurance is often characterized as a fast-growing, up and coming industry. The findings of this landscape study largely support that notion. The Landscape of Microinsurance in the World's 100 Poorest Countries identified 7.9 million lives and properties covered by microinsurance in 11 LAC countries[9] in 2005. The current study identified 45.5 million lives and properties in 19 countries. Over the past six years, microinsurance coverage has grown 125% in the 11 countries from the previous study, and growth for the region as whole is likely much larger given that the earlier study did not include the major microinsurance markets in Mexico and Brazil.

This level of coverage is impressive; however, it is not equally distributed over the region. In 2005, more than 90% of the lives and properties identified were in three countries: Peru, Colombia, and Ecuador. In 2011, Mexico and Brazil accounted for 55% of all microinsurance coverage, and combined with the major markets identified in 2005 (Peru, Colombia, and Ecuador), these five countries covered more than 90% of all lives and properties identified.

TABLE 2: GROWTH IN MI COVERAGE 2005-2011

	TOTAL GROWTH 2005-2011	COMPOUND ANNUAL GROWTH 2005-2011[10]	NET LIVES AND PROPERTIES ADDED (MM) 2005-2011
BOLIVIA	187%	19%	0.468
COLOMBIA	212%	21%	5.417
DOMINICAN REPUBLIC	48,235%	180%	0.253
ECUADOR	378%	30%	2.085
EL SALVADOR	50%	7%	0.043

9 The 11 countries included both in Roth, McCord, and Liber, 2007 and in the current study are Bolivia, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Nicaragua, Panama, Paraguay, Peru, and Venezuela.

10 Compound annual growth rates were calculated by the following formula: (2011 data/2005 data)^(1/6)-1.

In terms of relative coverage, the study found that 7.6% of the total LAC population was identified as being covered by some microinsurance product[11] ; the total coverage ratio for the 20 countries studied in the landscape is 8.0%. When Brazil and Mexico are excluded from these 20 countries, the coverage ratio is 7.8%, and when top five countries by coverage volume are excluded, the coverage ratio drops to 2.6% of the population of the remaining countries. These figures show that there is still much potential in the market, as a reasonable coverage ratio goal might be 40-50% of the population across the region. It is also important to consider that microinsurance relates to a number of product types (life, heath, disability, and others), and these reported coverage ratios only indicate the general coverage of people by any one product.

Table 1[12] (above) shows the countries with the top ten microinsurance coverage ratios in the region as of 31 December 2011. Comparing by coverage ratio is helpful in identifying gaps, as the relative values quickly show strengths and weaknesses. However, countries with relatively low populations may appear to have more MI than they do. Jamaica is a case in point, having one new MI program that has experienced rapid rollout due to its automatic cover linked to bill payment. Note that high levels of coverage are important as they help to more effectively build an insurance culture (given good quality microinsurance products serviced quickly and simply, which is a big "given"). High coverage rates also help insurers to mitigate adverse selection and reduce distribution costs, both of which help to reduce premiums for low-income clients.

The eleven countries studied in 2005 experienced an aggregate growth of 125% (from 7.9 million to 17.8 million) over the 6 years between the studies. Table 2 shows the growth rates of each of the eleven countries for which data is available for both 2005 and 2011. Within this group there was substantial divergence in growth patterns, with, for example, Venezuela declining by 97% due to government policy issues. On the other extreme, the Dominican Republic expanded by over 48,000%. There in 2005, researchers identified one insurer with one product type and very few (545) microinsureds. Subsequently, by the end of 2011 eight insurers with thirteen different products provided cover to over 250,000. Other countries such as Bolivia, Colombia, and Ecuador, which were relatively strong in 2005, have continued their growth based on several factors, including identification of and promotion through a new and broad range of distribution channels. In 2005 the predominant distribution channels were MFIs. While MFIs remain important for distribution, other channels have generated greater numbers. Also contributing to the growth was more insurers entering the market. In 2005, much microinsurance was still relatively small and the realm of a few innovative insurers. In 2011, as in the case of the Dominican Republic, many new insurers and brokers have entered the market and are aggressively competing to expand the markets.

In absolute terms, close to 90% of the region's growth is from Colombia, Ecuador, and Peru. Growth in these countries alone represented 8.7 million new lives and properties covered of the 9.9 million identified for all eleven countries (7.9 million in 2005, to 17.8 million in 2011). Relatively, these three countries were the largest in the 2005 study. Their major growth suggests that countries that are early movers will continue to expand strongly as more insurers see "success" and jump into the market. The question to consider is at what level of coverage growth would begin to slow. Whatever it may be, these countries have yet to reach that level, as strong growth appears to continue.

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11 Total population of the region was taken as 595.2 million from the 2011 populations reported in the World Development Indicators 2012 by the World Bank.

12 The team made every effort to mitigate duplication of coverage numbers by individual insurers. However, without a client list it is not possible to ensure that people covered by one insurer were not also covered by another. Thus it is possible, though unlikely significant, that unique coverage, and thus coverage ratios, are over-stated.

In contrast to the cases of dramatic growth, Table 2 (above) indicates that microinsurance markets in some countries were stagnant or shrunk. This offers an important lesson: although microinsurance has great potential, it is significantly affected by its environment. The two most striking examples in this subgroup are Panama and Venezuela. Over the period from 2005 to 2011, Panama only grew by 3%. Panama's market was restricted by regulation that required all insurers to use brokers, which gave brokers the ability to charge exorbitant commissions. High commission rates force insurers to choose between operating at a loss and charging higher premiums that may make insurance unaffordable to the low-income population. In early 2012 Panama passed a new regulation ending this broker requirement, so hopefully Panama will now be able to move forward with microinsurance expansion. Venezuela was a more extreme case of government policy implemented through regulations that decimated the microinsurance industry, where companies were forced to comply with strict requirements or abandon their products. As indicated by Venezuela's negative growth rate, most companies abandoned microinsurance.

1.4.2.
WRITTEN PREMIUMS

During 2011, microinsurance products brought in USD 860 million in written premiums (WP) among the insurers that reported premiums for the study. Similar to the distribution of coverage, over 90% of these premiums came from the five largest microinsurance markets - Brazil, Mexico, Colombia, Ecuador, and Peru. In addition to reporting total written premiums for microinsurance products, organizations that offer microinsurance were also asked to provide the total amount of written premiums received by the company in 2011 for both traditional insurance and microinsurance. From these numbers this study can identify the percentage of a company's total business that is due to microinsurance. The study also obtained national data on total insurance premiums, which allows us to understand better the significance of microinsurance in a country's total insurance market as well as the share of the whole insurance market that was identified as being involved in microinsurance (i.e., from only those companies that reported to the researchers their insurance and microinsurance premiums).

As Table 3 (below) indicates, despite reaching 45.5 million people and bringing in USD 860 million in premiums, microinsurance is still only a very small portion of the total insurance market in the 20 LAC countries studied. Microinsurance written premiums are only 0.57% of all insurance written premiums in these countries, and only 1.9% of all insurance written premiums for the organizations reporting data. However, by comparing the total amount of insurance written premiums in a country and the total amount of insurance premiums reported in this landscape by companies that offer microinsurance, it can be shown what "share" of a country's insurance market is offering microinsurance. Examining what share of the market offers microinsurance paints a more optimistic picture than solely examining the percentage of written premiums that result from microinsurance products. As Table 3 shows, countries such as Bolivia, Nicaragua, and Peru have nearly all of the insurance market offering microinsurance, whether this is through one or two insurers that account for the majority of a country's insurance market or through several insurers that together make up the entire insurance market. This is exciting because it in some ways represents a country's interest in microinsurance. For example, in Bolivia all organizations offering insurance in the country also reported offering microinsurance. Another example is Brazil, where the organizations that reported offering microinsurance account for a little more than 40% of the country's entire insurance market. Although microinsurance written premiums in Brazil are only 0.56% of all insurance written premiums, as the companies already offering microinsurance grow more confident and expand their efforts they can greatly extended microinsurance coverage. Microinsurance written premiums may be somewhat inherently limited in how much they can contribute to a country's total insurance written premiums as microinsurance premiums are smaller by default, but recognizing that a significant portion of a country's insurance market is offering microinsurance to some degree is certainly positive.

TABLE 3: TOTAL WRITTEN PREMIUMS AND MI WRITTEN PREMIUMS

COUNTRY	NATIONAL TOTAL PREMIUM VOLUME / NET DIRECT PREMIUM / GROSS PREMIUM INCOME (IN USD MILLIONS)	TOTAL WPS REPORTED TO STUDY (IN USD MILLIONS)	REPORTED WPS AS % OF TOTAL NATIONAL WPS	MI WPS REPORTED TO STUDY (IN USD MILLIONS)	MI WPS AS % OF TOTAL NATIONAL WPS	MI WPS AS % OF REPORTED WPS OF REPORTING COMPANIES ONLY
ARGENTINA	12,846.0*	412.8	3.21%	35.8	0.28%	8.68%
BELIZE	59.3^	5.7	9.56%	0.006	0.01%	0.11%
BOLIVIA	220.2`	224.4	101.93%	6.5	2.97%	2.92%
BRAZIL	78,287.0*	32,428.6	41.42%	437.3	0.56%	1.35%
CHILE	9,669.0*	2,532.8	26.20%	9.1	0.09%	0.36%
COLOMBIA	7,624.0*	3,622.4	47.51%	131.8	1.73%	3.64%
COSTA RICA	815.0*	0.0	0.00%	0.0	0.00%	-
DOMINICAN REPUBLIC	740.0*	335.4	45.32%	1.5	0.20%	0.44%
ECUADOR	1,337.0*	514.8	38.51%	52.6	3.94%	10.2%
EL SALVADOR	409.9~	3.2	0.77%	1.5	0.38%	48.90%
GUATEMALA	555.0*	47.4	8.54%	15.6	2.81%	32.87%
HAITI	37.5”	10.0	26.7%	0.3	0.80%	2.58%
HONDURAS	252.5+	7.7	3.05%	0.4	0.15%	4.75%
JAMAICA	676.0*	45.0	6.66%	-	-	0.00%
MEXICO	22,231.0*	2,230.6	10.03%	127.4	0.57%	5.71%
NICARAGUA	113.2+	111.8	98.72%	1.0	0.92%	0.93%
PANAMA	1,053.0*	59.5	5.65%	0.7	0.06%	1.09%
PARAGUAY	245.9+	11.0	4.47%	1.1	0.44%	9.81%
PERU	2,613.0*	2,452.9	93.87%	37.5	1.43%	1.53%
VENEZUELA	10,803.0*	-	-	-	-	-
TOTAL	150,549.9	45,055.9	29.93%	860.0	0.57%	1.91%

Total WP sources: *=Swiss Re, Sigma 2011; ^= Government of Belize, Total Insurance Industry Audited Revenue Account 2011; `=Anuario de Fiscalización y Control de Pensiones y Seguros, Anuario de Seguros 2010; ~= Superintendencia del Sistema Financiero, Anuario estadístico de seguros 2011; += Asociación de Supervisores de Seguros de América Latina (ASSAL), Prima Directa, most recent year available; ”=Axco Haiti life and non-life insurance market report 2011

In terms of growth, microinsurance premiums, as expected, have grown in the countries that have grown in coverage. However, aggregate microinsurance premiums have experienced even greater growth than coverage. Table 4 illustrates the growth in written premiums, comparing 2005 data to the current data. While coverage in these eleven countries grew 14% annually, premiums grew 44% annually. Although this difference seems extreme, the average premium per life rose from 3.57 USD annually to 14.08 USD annually. This rise in premiums is consistent with products becoming more complex and covering more risks. In 2005, the landscape was dominated by basic credit life covers at very low premiums (see Figure 3, below). Since then, credit life has only increased by about 50% and has been significantly overtaken by other life products as well as accidental death and disability (ADD) products. Health and property products are also significant in 2011, while they were barely detected in 2005. All these products are variably more expensive than the basic credit life products of 2005. Additionally, bundled products are more common in the region in 2011 than in 2005. This also adds to the average premium. In general, the increase in premium growth in the region is a positive sign of further evolution of microinsurance.

TABLE 4: GROWTH IN MICROINSURANCE WRITTEN PREMIUMS

	MICROINSURANCE PREMIUMS (USD)		TOTAL GROWTH	COMPOUND ANNUAL GROWTH (2005-11)
	2005 (MM)	2011 (MM)		
BOLIVIA	0.489	6.542	1238%	54%
COLOMBIA	18.598	131.753	608%	39%
DOMINICAN REPUBLIC	0.030	2.495	8218%	109%
ECUADOR	1.189	52.622	4327%	88%
EL SALVADOR	0.497	1.548	212%	21%
GUATEMALA	0.974	15.588	1501%	59%
NICARAGUA	0.035	1.038	2904%	76%
PANAMA	1.100	0.651	-41%	-8%
PARAGUAY	<0.001	1.080	288166%	277%
PERU	5.169	37.476	625%	39%
VENEZUELA	0.227	<0.001	-100%	-100%
TOTAL	28.308	250.793	786%	44%

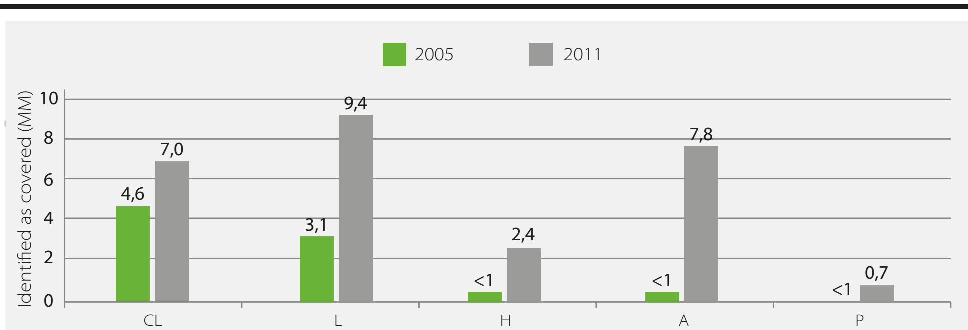
1.5.
RISKS COVERED

The overall growth in microinsurance in the region between 2005 and 2011 is significant and an important step to greater market coverage. However, the broad look presented thus far simply counts all people with microinsurance and offers no consideration of the type or quality of microinsurance being provided. Both 2005 and 2011 studies focused on particular products and sub-products within microinsurance that were being sold. Figure 3 shows growth of microinsurance in the eleven countries by product between 2005 and 2011.

In 2005, because most microinsurance was delivered through MFIs, the predominant coverage was credit life (CL) followed by life (L), with health (H), accident (A), and property (P) covering a very limited number of lives and properties. As Figure 3 illustrates, the landscape is very different in the region now. In the eleven countries with 2005 data, life and accident[13] products have added a tremendous volume of lives, covering 9.4 million and 7.8 million lives, respectively (up from 3.1 million and 0.2 million, respectively, in 2005). Credit life coverage experienced moderate growth, from 4.6 million to 7.0 million over the same period. The different product growth rates in these countries illustrates that credit life is no longer the main driver of microinsurance in the region. This is likely a result of the entry of new distribution channels as well as a natural product evolution towards other products covering a broader range of risks. For a detailed breakdown of the lives and properties covered by product in each country see Appendix 3 or explore the details with an interactive map available at ***http://www5.iadb.org/mif/default.aspx*** and at ***www.microinsurancecentre.org***.

The evolution of microinsurance in LAC started with MFIs and the basic credit life offerings. As commercial insurers, those that clearly drive the expansion of microinsurance in the region, found that MFIs were limited simply to their credit markets, they moved towards other distribution channels that could reach far more people than MFIs. This resulted in the move beyond credit life and into the realm of broader life cover offerings. At the same time, non-life insurers also saw the growth and potential of microinsurance for their books. Finding appropriate distribution channels for accident policies, these insurers have dramatically entered the market with accident policies typically tied to other products for ease of sales and distribution. In a sense, the early years provided the "proof of concept" for microinsurance. New insurers have leveraged those lessons to create significant expansion, while the MFI channels have mostly been limited to their natural, credit-based growth.

FIGURE 3: COVERAGE GROWTH FROM 2005 TO 2011

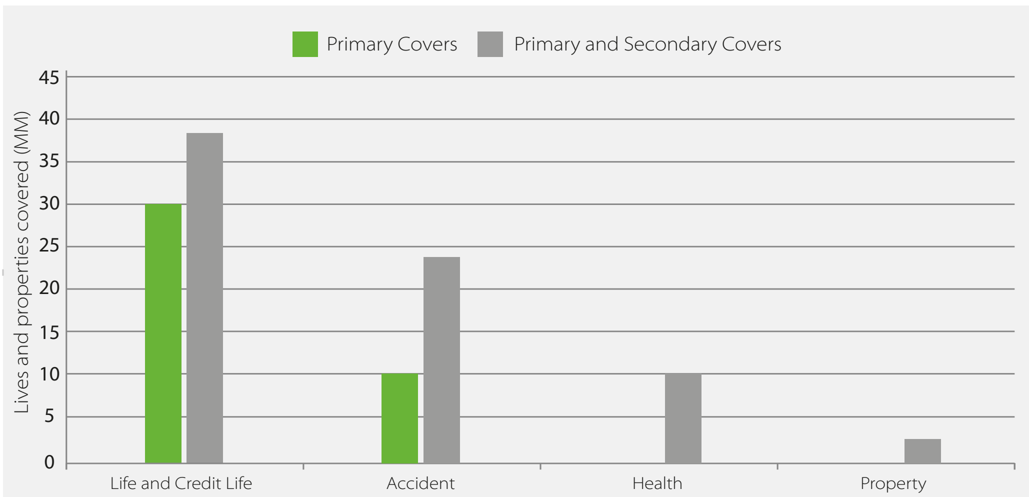


13 Accident cover in this paper is intended to refer to policies that cover death and disability only due to accidental causes.

1.6.
PRODUCTS

The microinsurance landscape in LAC is becoming larger and more complex, ideally in response to the needs of potential clients. In this next section, to determine the value products are actually providing to clients and the factors that are encouraging growth, specifics about the products available in the LAC microinsurance market are presented and discussed.

FIGURE 4: PRIMARY AND SECONDARY COVERS



Researchers identified 159 microinsurance products[14] currently being offered and 9 products that organizations are planning to launch. Of these 159 products, the majority are life and credit life products. However, in LAC, a substantial number of products, nearly 70% of all products identified, have secondary covers, meaning that a product may have a primary cover and thus be classified as a life or health product but also provide a secondary cover for another type of risk, such as accident or property. As Figure 4 shows, adding secondary cover creates a potentially substantial improvement in terms of product evolution and expansion. For example, more than half of all lives covered for accident are covered due to secondary covers. For health and property, nearly all of the lives and properties are covered as secondary covers.

The majority of secondary covers are added on to life products. As life products tend to be the easiest to offer, they represent a starting point for MI. From here it is relatively easy to add on another product and sell it to the same market. Accident and health products also contain secondary covers, but to a much lesser extent than life products.

14 This number of products is a slight underestimate, as some of the reported data was aggregated and did not specify the number of products included. For a discussion, see the Methodology section.

OUTREACH

The outreach of microinsurance products is extremely important. Not only does greater outreach mean more lives or properties covered, but it also is crucial for the profitability of microinsurance. Life, credit life, and accident products tend to cover more lives, while many health and property products still struggle to reach large numbers of clients. Half of all life and credit life and accident products, for example, have an outreach between 10,000 and 200,000 lives, and in contrast half of all health and property products reported have an outreach between 500 and 60,000 lives.

Life and accident schemes do not necessarily have more clients because they are in greater demand. Instead, life and accident products benefit from being offered through very large channels and are relative easy to sell and administer. In LAC, health and property covers may actually be in greater demand, but they tend to be offered through more intimate mechanisms because of premium levels, control issues, and the need for more explanation and human "touch" in the sale. This may create challenges for profitability in these types of MI products, as regardless of product type, successful MI requires high volumes. Additionally, several countries have national health strategies that provide some health cover and this has an impact of reducing the scope for health insurance provided by other organizations.

1.7.
PREMIUMS

Premiums are a critical element of microinsurance. They indicate accessibility to the low-income population as well as potential profitability to the microinsurance providers. Premiums are set based on different types of risks and levels of coverage. Table 6 indicates the average annual premium of products based on the main risk covered and other product characteristics[16]. For example, a life product that includes a secondary accident cover costs an average of USD 16 annually, and a mandatory life product costs an average of USD 7 annually compared to a voluntary life product which costs USD 16 annually on average.

15 Average annual premiums were calculated for 152 products. These average premiums provide a reasonable overview of premiums but must be reviewed recognizing that they combine data from a number of different countries and economies and from products with different components, coverage, and terms.

16 Of the total 159 products reported, 155 products reported total written premium and number of lives or properties covered which were used to determine the average annual premium.

TABLE 5: AVERAGE ANNUAL PREMIUMS BY PRODUCT CHARACTERISTICS

	PRODUCT CHARACTERISTIC[15]	AVERAGE ANNUAL PREMIUM IN USD						
		ALL RISKS	LIFE	ACCIDENT	HEALTH	PROPERTY	AGRICULTURE	BUNDLED
	All products	19	15	14	31	38	43	18
POLICY TYPE	Voluntary	19	16	13	34	24	69	28
	Mandatory	10	7	NA	NA	39	18	8
	Both	14	12	24	11	9	NA	18
POLICY FORMAT	Individual	21	18	28	39	18	43	14
	Group	14	11	10	39	32	NA	10
	Both	15	11	11	23	NA	NA	28
CREDIT LIFE LINK	Yes	14	13	2	25	42	18	14
	No	19	15	18	33	19	69	22
SECONDARY PRODUCTS	Life	21		15	36	NA	43	18
	Accident	18	16		30	NA	18	20
	Health	20	19	31		NA	NA	11
	Property	21	16	NA	39		43	20
	Index	10	15	9	NA	NA	69	8

Although this table should not be the basis for pricing, it does provide important insight relative to different pricing and control strategies. In general, life and accident products cost less than health and property products, and products with secondary covers cost more. Products that can control for adverse selection, such as credit-linked products, group policies, and mandatory policies, unsurprisingly cost less than their counterparts.

FIGURE 5: DISTRIBUTION OF AVERAGE PREMIUM BY RISK

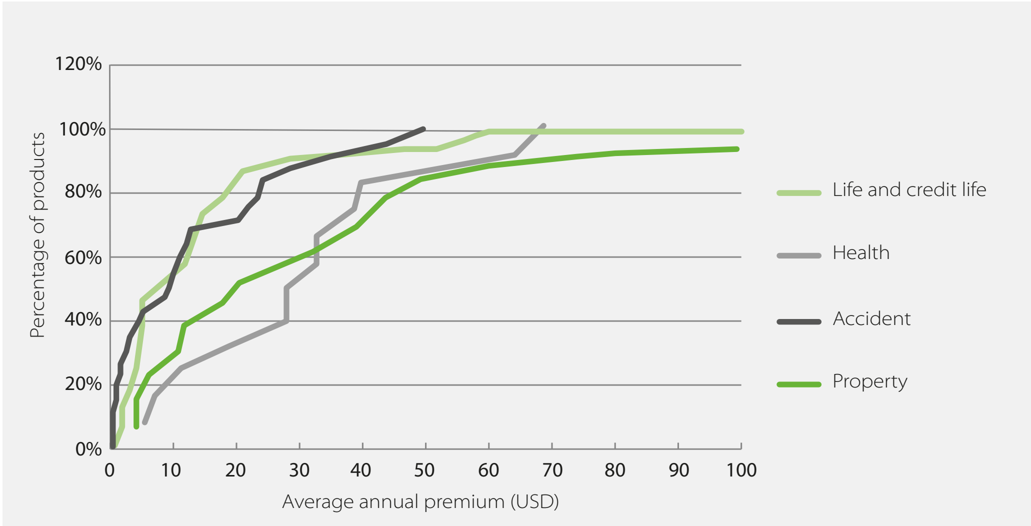


Figure 5 illustrates the distribution of average premiums for each of the main risks. All of the products have similar distributions or similar curves, although as expected, health and property are more expensive than life and accident, as evidenced by the trend lines falling farther to the right on the premium axis.

TABLE 6: AVERAGE ANNUAL PREMIUMS BY SUB-CATEGORY (USD)

SUB-CATEGORY	L	A	H	P
CREDIT LIFE	12			
CREDIT LIFE PLUS	20			
FUNERAL	13			
TERM LIFE	22			
ALL CAUSES		12		
WORK		13		
TRAVEL		25		
OUTPATIENT			39	
HOSPITALIZATION			29	
COMPREHENSIVE			38	
HOSPITAL CASH			26	
CROP				5
HOME				26
SME				37

Table 6 breaks down each of the main risk types into sub-categories and gives the average premium value associated with the subcategory. It is again important to recognize that these products, though titled the same, are aggregated from different countries, different types of channels, and different economies, thus values shown are more indicative than absolute.

1.8.

LOSS RATIOS AND VALUE FOR THE CLIENT

A key component of premiums is the risk premium. This is the portion of premiums used to pay claims. The percentage of premiums paid out in claims is commonly referred to as the loss ratio. Microinsurers must walk a balance with loss ratios. If a product's loss ratio is too high there will not be enough funds to cover administrative, commission, marketing, and other costs; however, if a product's loss ratio is too low, then clients are likely not getting as much value from the products as they could. However, there is no accepted benchmark for loss ratios, and the loss ratios for products covering different risks will vary. Life and accident products should have fairly steady loss ratios from year to year given significant scale. Loss ratios for health, property, index, and agriculture products are more volatile and would be best represented by an average loss ratio over a five or ten year period.

FIGURE 6: DISTRIBUTION OF 2011 LOSS RATIOS BY RISK

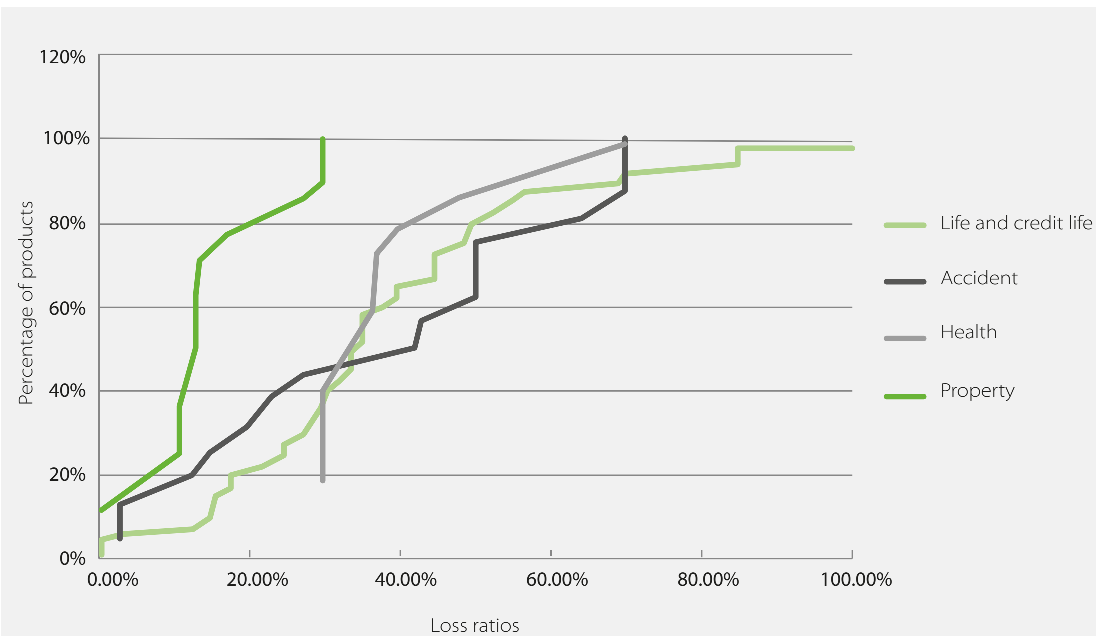
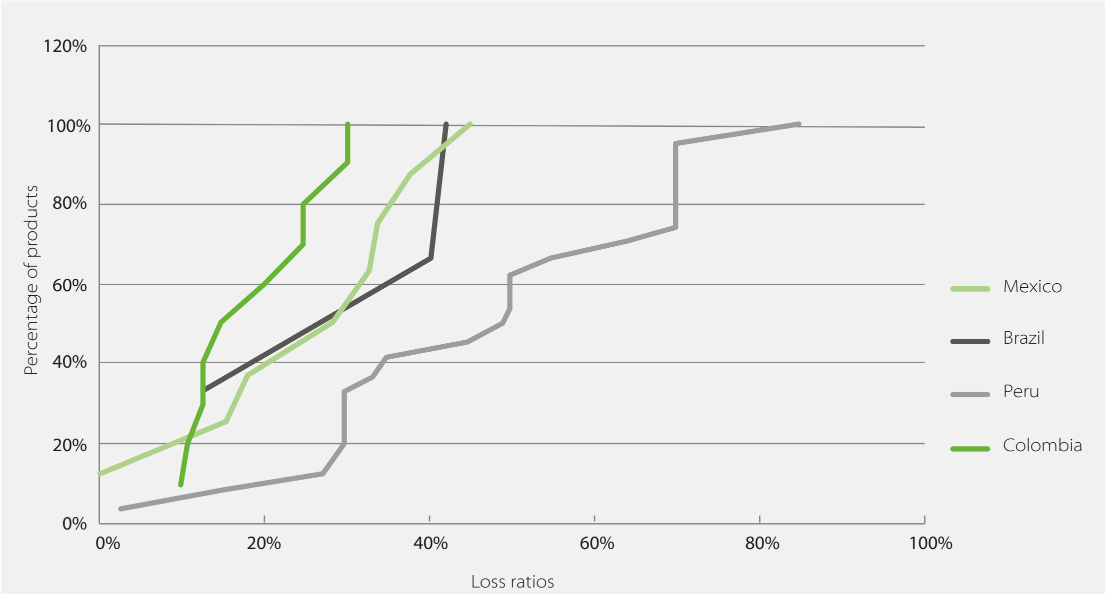


FIGURE 7: 2011 LOSS RATIO DISTRIBUTIONS IN FOUR HIGH GROWTH COUNTRIES



Nearly half of all products reported in the survey included information on the loss ratio of the product.[17] The products for which loss ratio information is available cover 20.7 million lives and properties of the total 45.5 million identified in LAC. Figure 6 shows the distribution of loss ratios from 2011 for products covering different risks. Life, accident, and health products have similar distributions, with 60% of products reporting loss ratios of 40% or less. Property products reported considerably lower loss ratios; however, as property losses are much more volatile than the other risks, these loss ratios cannot provide much insight on the value that property products provide to clients.

Figure 7 shows the distribution of loss ratios for four of the five countries with the greatest microinsurance coverage.[18] Peru consistently has the highest loss ratios, followed by Mexico and Brazil, and Colombia reports the lowest lost ratios. Although some relate low loss ratios to low levels of client value and high levels of profitability, this is not always the case.[19] A recent study of a funeral product in Colombia found that the product had a low loss ratio

17 To obtain the loss ratio the team collected premium and claims data from the insurers. This was challenging because most insurers did not want to provide this data, and others found it difficult to identify this data strictly as related to their microinsurance business. Obtaining this data on almost 50% of the products identified was actually a significant feat. The ratio in the Africa Landscape study was also right near 50%.

18 No respondents from Ecuador provided loss ratios.

19 The low loss ratios in Colombia are related to the relatively high cost of distribution. While Colombia is an example to all for the variety of its distribution, the channels charge rather high fees and commissions, even more than 40% of premiums in some cases. In these cases, there are still administrative costs borne by the insurers and this leaves relatively little for the clients. For a deeper discussion of this issue see Michael J. McCord's "MAPFRE Colombia: Combining valuable funeral insurance products with a strong business case" from the MicroInsurance Centre.

because of high commission costs needed to pay the distributor and that despite a lower loss ratio, clients still received significant value from the product.[20]

In Latin America, more so than Africa for example, commissions and fees to distributors have a major impact in pushing claims ratios down and premiums up. Clients could certainly receive greater value if commission costs were kept to a fair level. In many LAC countries, however commissions tend to be very high compared to actual distribution costs. Distribution channels in Mexico, Colombia, and other countries in the region are extracting heavy commission and often additional exclusivity fees from insurers searching for mass distribution. As Figure 7 illustrates, countries with known high commission burdens (Colombia and Mexico) generally show a lower claims ratio than Peru, for example, where commissions have been somewhat more controlled.

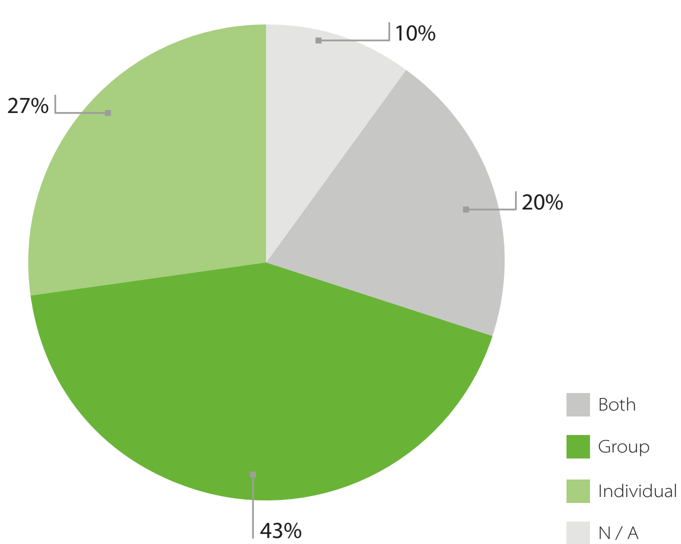
20 Michael McCord presentation at 8th International Microinsurance Conference in Dar es Salaam, drawn from (1) Magnoni and Poulton's "Doing the Math: Cashless funeral microinsurance in Colombia", and (2) Koven and Martin's "Colombian Life Microinsurance: An emerging success story," forthcoming. Both documents are part of the MicroInsurance Centre's MILK project.

2
POLICY CHARACTERISTICS

2.1.
GROUP AND INDIVIDUAL

Accounting for 43% of all policies sold, group policies are significantly more prominent than individual policies (at 27%). Figure 8 also shows that 20% of products are offered as both, which may reflect that some distribution institutions offer group and individual options for their core products to which MI might be linked. Group policies offer the potential for significant reductions in premiums because of easier servicing as well as a limiting of adverse selection. As noted in Table 5 above, group policies can be as little as one-third the cost of their individual counterparts, as in the case of accident policies. Yet counterintuitively, health products for which premiums were provided are essentially the same price whether individual or group based. This may be the result of the very limited number of health products and the wide variance in product coverage (in-patient, out-patient, medications, and other benefits are variously included) and cost of different health products. Additionally, it is more of a challenge to realistically link a health product to other group-based products because of the level of additional cost with a health product.

FIGURE 8: PORTION OF POLICIES BY TYPE



As shown in the Table 7 below, most life products are sold to groups, while accident and health products are mostly sold as individual policies. (Note the "Total number of insureds" reflects only main risks and thus does not reflect the total numbers covered by product as in Figure 1.)

TABLE 7: POLICY TYPES BY RISK

	MAIN RISK COVERED				
POLICY FORMAT	ACCIDENT	BUNDLED	PROPERTY	HEALTH	LIFE
GROUP	14.8%	3.0%	38.8%	16.6%	51.6%
INDIVIDUAL	58.3%	95.5%	24.3%	9.1%	20.1%
BOTH[21]	3.4%	1.5%	0.0%	43.3%	27.3%
NO RESPONSE	23.5%	0.0%	37.0%	30.9%	1.0%
TOTAL # OF INSUREDS (MM)	10.552	1.674	0.458	0.383	30.067

2.2.

COMPULSORY, VOLUNTARY, AND AUTOMATIC MICROINSURANCE

Whether individual or group policies, the insurers have reported that a majority of people are covered by products they opted for, as can be seen in Table 8. In practice, the percentage of voluntary covers may be lower than reported, as there is potential coercion when a product is linked to another product or service. With some products, microinsurance cover is provided automatically, sometimes with a choice to opt-in or opt-out.

TABLE 8: MAIN RISKS BY VOLUNTARY AND COMPULSORY / AUTOMATIC

	MAIN RISK COVERED				
TYPE OF COVER	ACCIDENT	BUNDLED	PROPERTY	HEALTH	LIFE
BOTH	0.5%	3.0%	0.2%	16.3%	15.2%
COMPULSORY/ AUTOMATIC	5.6%	95.5%	0.1%	0.0%	22.6%
VOLUNTARY	70.3%	1.5%	62.8%	52.7%	45.1%
BLANK	23.5%	0.0%	37.0%	30.9%	17.2%
TOTAL # OF INSUREDS (MM)	10.552	1.674	0.458	0.383	30.067

Voluntary cover allows the clients to choose their means of risk management based on their knowledge and understanding of the product weighed against their needs; with voluntary cover, people choose the policy they want and pay for it directly. Compulsory microinsurance is typically linked to membership or purchase activity where insurance must also be purchased. Credit life insurance, for example, is frequently required of MFI borrowers, and often clients must pay a distinct fee to obtain the cover. These also include required property covers when someone borrows to purchase a vehicle. Automatic microinsurance, in contrast, is cover that comes with membership, service, or purchase without an additional fee, such as the basic life cover that Compartamos Banco provides its borrowers without any additional premium or fee.[22] In the study, compulsory and automatic insurance were treated as the same, though in the future thes should be considered separately because the implications of each are substantially different.

Although compulsory products typically do offer the opportunity for coverage at a reduced premium compared to voluntary microinsurance, product value may suffer as compulsory microinsurance is often not well explained to policyholders.[23] Service quality also tends to be limited, as poor service does not lead to individual customers canceling policies and those distribution channels that link microinsurance to their product or service often do not hold the insurer to high standards. The latter is possibly a function of the supply-driven markets in LAC, where insurance is linked to low-income products so the vendor can make commissions, rather than the vendor using microinsurance as an attractive proposition for acquiring and retaining clients.

Automatic insurance, often paid by the vendor, has greater potential for value, as the vendor will want to ensure that their objectives for purchasing MI for clients are achieved. However, as we see in Africa, these products tend to be very low value, expectations tend to be high about their impact, and vendors have a limited tolerance for poor results, leading them to shut down the product, potentially leaving masses without cover.

2.3.
TERMS

To help understand the frequency of the insurance policies, insurers were asked to note the term length of the various covers. Table 9 provides details of these various term components. Although most terms are annual or linked to a loan, the premium payment may not necessarily be annual. Some products are also offered with different term options. "Multiple options" may reflect an element of choice by the distribution channel, or by different characteristics of different policy groups.

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21 Note: "Both" means the products may be sold individually or to groups, depending on the distribution channel.

22 Poulton, Derek and Barbara Magnoni "MILK Brief #16: Doing the Math – Life Microinsurance in Mexico." Appleton: MicroInsurance Centre, January 2013.

23 For more examples of documented cases where clients had limited knowledge about the products they were covered by, see MILK Brief #16 (as noted above) or MILK Brief #15 Catastrophe insurance in Haiti. Barbara Magnoni and Laura Budzyna. The MicroInsurance Centre. January 2013.

TABLE 9: POLICY TERM COMPONENTS (MAIN RISKS ONLY)

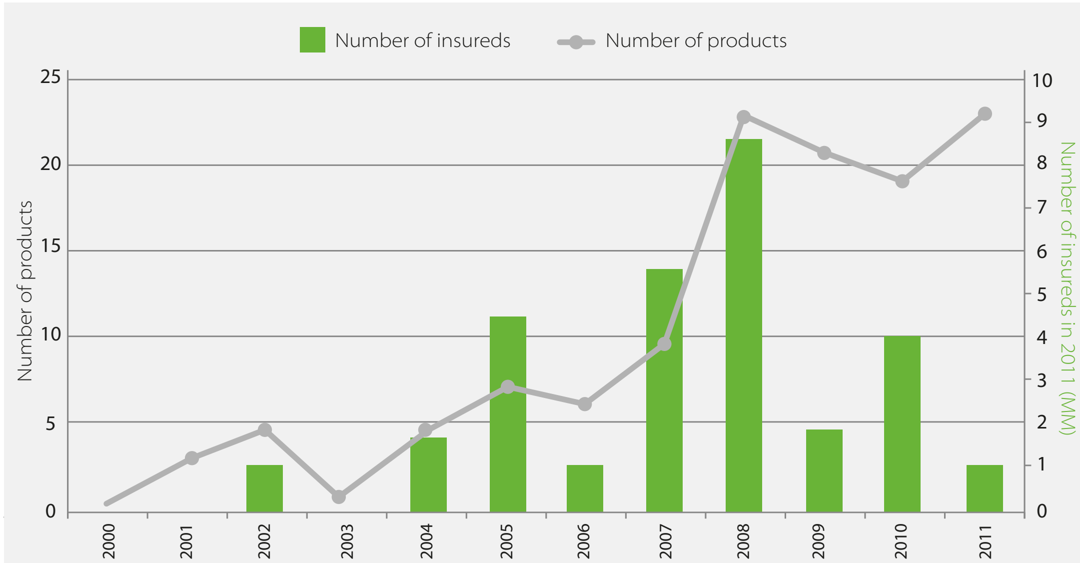
POLICY TERMS	LIFE	HEALTH	PROPERTY	ACCIDENT	OTHER (BUNDLED/ AGRICULTURE)	WEIGHTED AVERAGE
AGRICULTURAL CYCLE	-	-	-	-	-	-
ANNUAL RENEWABLE TERM	28.4%	5.6%	5.7%	46.6%	41.1%	33.3%
FIXED TERM, ≤ ONE YEAR	0.9%	31.6%	30.8%	-	-	1.2%
LINKED TO LOAN OR OTHER PRODUCT	26.2%	16.3%	16.2%	7.8%	-	19.4%
MONTHLY	0.6%	15.5%	0.1%	20.2%	-	5.2%
MULTIPLE OPTIONS	18.2%	-	-	1.8%	-	12.4%
OTHER	2.6%	-	-	-	-	1.7%
WHOLE-LIFE	1.8%	-	-	-	-	1.2%
6-20 YEAR TERM	2.2%	-	-	-	-	1.4%
NO RESPONSE	19.2%	30.9%	47.1%	23.5%	58.9%	24.1%
TOTAL # OF INSUREDS (IN MM)	30.067	0.383	0.458	10.552	4.074	45.534

Due to this study's exclusion of subsidized products, which limited the data from agricultural covers, and the concentration of microinsurance in easily accessible, urban areas, none of the products identified (where the insurer noted the term) follow an agricultural cycle. Annual terms may not be appropriate for rural communities and modified terms may need to be considered as an important component of expansion into rural areas.

2.4.
GROWTH / MATURITY IN PRODUCTS

To better understand program longevity, the study captured the starting date of the schemes reported. Figure 9, below, shows the number of products introduced on the market each year since 2000 (the blue line, left y axis) and the number of lives and properties currently covered by those products (the red bars, right y axis). Unsurprisingly the number of products introduced every year has steadily increased. This generally suggests a continued and expanding interest in microinsurance by insurers, particularly in the period after 2004. Growth has stabilized over the past few years, hovering around a little more than 20 new products each year. This does not represent aggressive growth, but growth nonetheless.

FIGURE 9: PRODUCT MATURITY

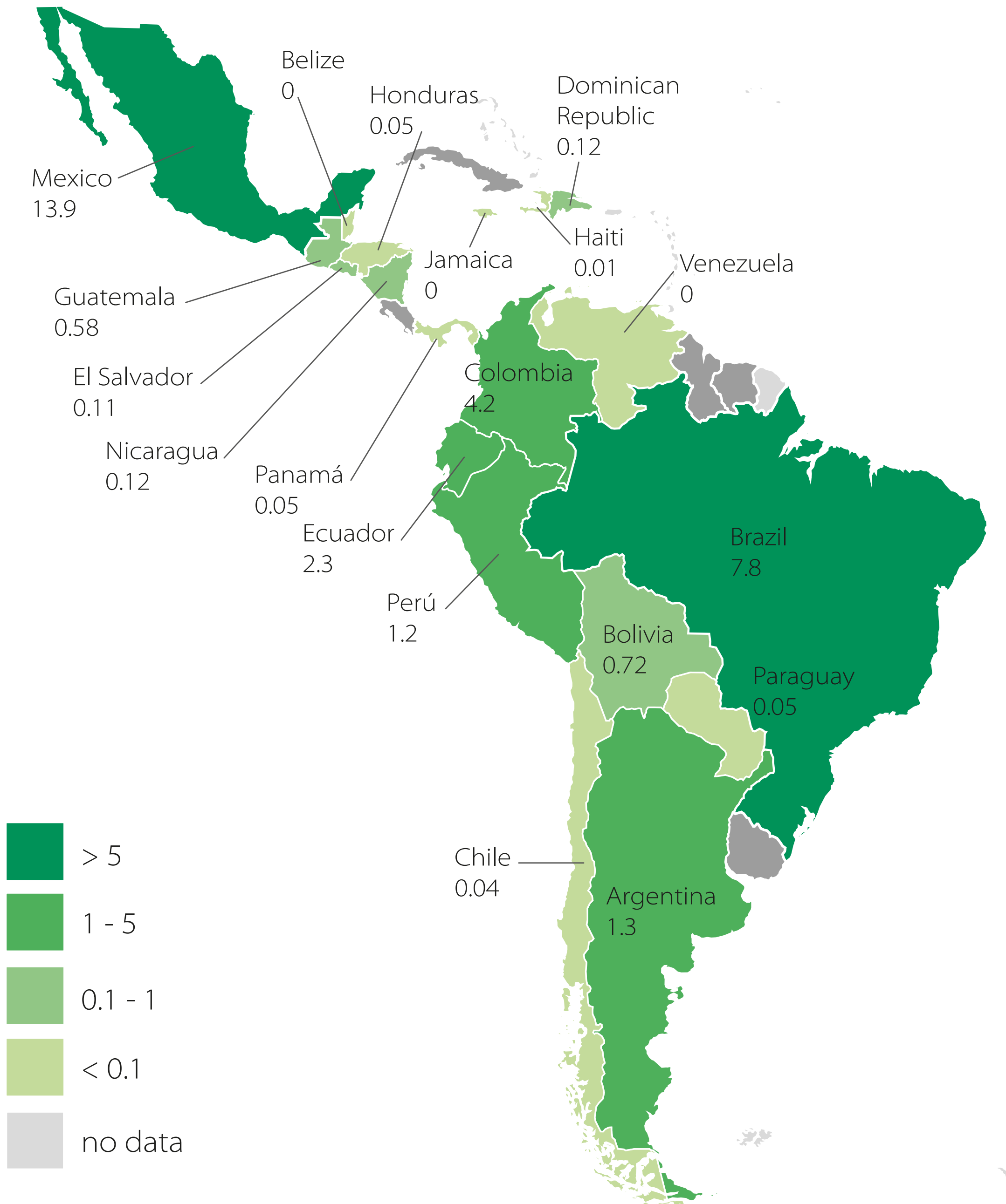


In terms of coverage, if products grew consistently from year to year, products that have been on the market longer would cover more lives and properties. As Figure 9 shows, this is not the case. Products that were placed on the market during or after 2005 covered 27 million lives and properties at the end of 2011, while products that were placed on the market between 2000 and 2004 only covered 2.8 million lives and properties.[24] This striking difference in coverage highlights that newer products are growing in outreach much faster that older products. This rapid growth may be due to several factors in recent years, among them:

- Organizations with newer products may be learning the lessons of the prior product efforts.
- There have been an expanded number and type of distribution channels which may provide effective access to greater numbers of people.
- Product improvements may be responding better to demand.
- More insurers are involved in microinsurance and the resulting competition is pushing them towards greater efficiency and outreach (e.g. Colombia, Mexico, and Peru).
- The balance between corporate social responsibility and profitability seems to have moved significantly towards profitability, requiring insurers to obtain greater outreach.
- Some products offered through MFIs have been shifted from one insurer to another insurer that might be offering better coverage or other terms.

24 Note that insurers reported 29 products as existing prior to 2000; those products currently have a total of 15.7 million insureds.

FIGURE 10: LIVES COVERED BY LIFE MI, EXCLUDING CREDIT LIFE-ONLY PRODUCTS (MM)



3

COVERS & RISKS

3.1.

LIFE PRODUCTS

Figure 10 shows the country distribution of life cover throughout LAC, excluding credit life-only products.

While credit life specifically, in all forms, has historically been characterized as the driver of microinsurance, this is clearly not the case across the region now. This study identified a total of 15.9 million lives covered by credit life (with or without other products, including other life products, linked to it) and 32.5 million lives covered by life (excluding credit life-only products). Although many countries in LAC have strong microfinance sectors, only Haiti, Peru, and Venezuela have more lives covered by credit life than life products.

TABLE 10: SUB-CATEGORIES OF LIFE MICROINSURANCE BY CREDIT RELATIONSHIP[26]

COVER	CREDIT-LINKED		NON CREDIT-LINKED	
	NUMBER OF PRODUCTS	NUMBER OF INSUREDS (MILLIONS)	NUMBER OF PRODUCTS	NUMBER OF INSUREDS (MILLIONS)
Credit Life	28	9.874	-	-
Credit Life Plus	22	9.700	-	-
ALL CREDIT LIFE		**15.850**	**-**	**-**
Funeral	31	4.023	34	3.270
Term Life	10	5.258	23	13.718
Endowment	-	-	1	-
Pension	-	-	1	<0.001
Investment	-	-	1	0.042
Additional family benefits	14	6.069	15	5.406
ALL LIFE		**17.500[1]**		**15.042**

As can be seen in Table 10, overall term life and extra family benefits for the spouses and children are the most common types of life benefits provided, followed by credit life, credit life plus[25],

25 Credit life "plus" refers to credit life products that cover the total amount of the disbursed loan. Thus, claims payments include two beneficiaries. The creditor receives the balance of the loan and accrued interest, and the family receives the difference between the outstanding balance and the original loan balance.

26 Note that the sub-categories do not sum to the total for all life because of products with multiple covers. The "All credit life" and "All other life" rows represent the totals as seen in Box 1, without duplication.

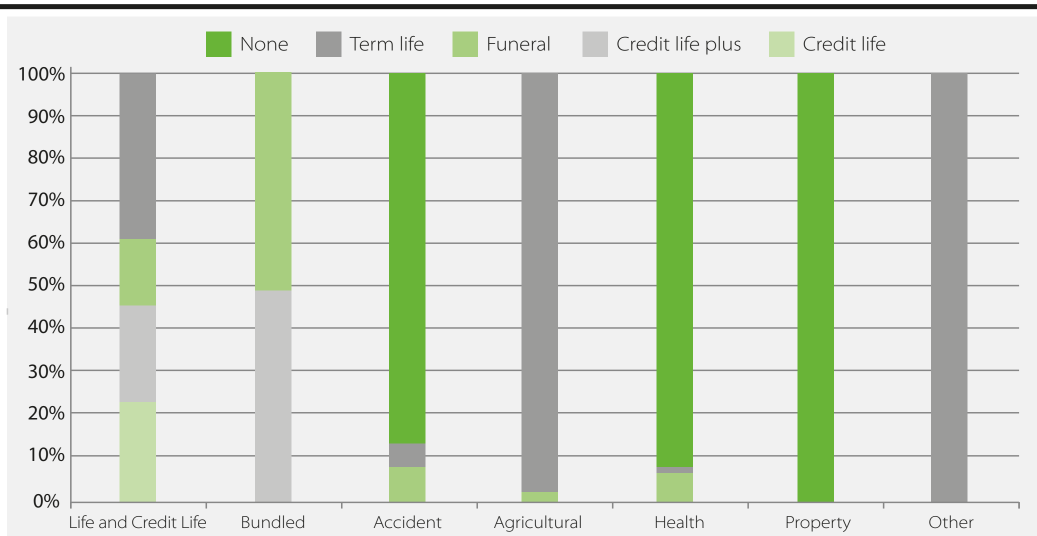
and funeral cover. The options available in the LAC countries are almost completely short-term cover. Unlike in Asia and Africa where endowment, pension, and investment schemes are commonly distributed through MFIs and NGOs, there are virtually none of these schemes in Latin America and the Caribbean. No endowment products were reported and only one pension and investment product was reported, covering less than 50,000 people combined.[27] This difference may be related to a number of factors including: greater availability of savings mechanisms in LAC, the prevalence of remittances, and the availability of pensions for all as in Peru, Chile, and Mexico, among other countries in the region.

It is important to note that the numbers in Table 10 will not sum to the total coverage numbers given above. This is due to the large number of products with secondary covers. The lives covered by these products are shown under every specific cover that is offered through a product; however, they are only counted once for the total numbers. Thus adding each cover together generates a much larger number than the total numbers of lives covered.

Of the total life microinsurance coverage, 8.2 million lives are covered by secondary (linked or bundled) covers. Figure 11 indicates the different types of life covers offered through such other non-life products. The bars represent the proportion of insureds by life cover for each type of main risk covered. For example: 52% of the insureds who purchased a bundled product benefit from a funeral cover. The most recent premiums reported for these products, across all countries, total to USD 658.2 million.

Table 10 (above) also provides details of credit-linked and non-credit-linked life products. The lack of long-term products is striking and may offer an opportunity for microinsurers. Box 2 provides some examples of life products in the region.

FIGURE 11: LIFE COVERS IN COMBINATION WITH OTHER PRODUCTS



27 REDCAMIF is starting a pension plan with the support of the IDB / MIF.

BOX 2: EXAMPLES OF LIFE MICROINSURANCE PROGRAM DETAILS

BRAZIL, BANCO DO NORDESTE AND MAPFRE, "CREDIAMIGO":

Cover: Life cover for a sum assured of BRL 3,000 (USD 1,500), 840 BRL (USD 420) in funeral assistance, and monthly entry into a lottery providing four prizes of BRL 1,500 (USD 378).

Premium: BRL 25 (USD 13) annually, and borrowers may buy up to six policies to increase the sum assured or cover additional family members.

Source: *(http://www.cenfri.org/documents/microinsurance/2010/Brazil_MI_Cenfri_Report_final_17%2005%202010.pdf)*

BRAZIL, CAPEMISA VIDA E PREVIDENCIA, "VIP PREVIDENTE":

Cover: Death from any cause, offers 24 hour funeral assistance, and is available to anyone between the ages of 14 and 80.

Premium: BRL 83 (USD 42) annually

Source: *(http://www.capemisa.com.br/capemisacap/paravoce/vipprevidente.aspx)*

MEXICO, COMPARTAMOS, "SEGURO DE VIDA":

Cover: 19 week policy linked to a loan covering the death of the policy holder. Benefits include forgiveness of the loan if the death occurs during the 16 week loan cycle and a payout of MXN 15,000 (USD 1,160). The product is offered in modules so that borrowers may purchase more modules to increase their coverage. Up to seven additional modules may be purchased.

Premium: Each module costs MXN 57 (USD 4.40), and the first module is paid for by Compartamos.

Source: *(http://www.microinsurancecentre.org/milk-project/milk-docs/doc_details/939-milk-rct-protecting-those-left-behind-an-experimental-study-of-life-microinsurance-purchase-decisions-of-compartamos-bancos-borrowers-in-mexico.html)*

3.2.
ACCIDENT PRODUCTS

As highlighted previously, accidental death and disability coverage has seen tremendous growth over the past several years. This may be a reflection of perceived risks. Accidents are a leading cause of death in many countries in LAC, including Peru, Guatemala, and others. Insurers have good data on these risks and they know that people are afraid of accidents. People commonly experience accidents of friends and neighbors, so these policies are rather easy to sell.

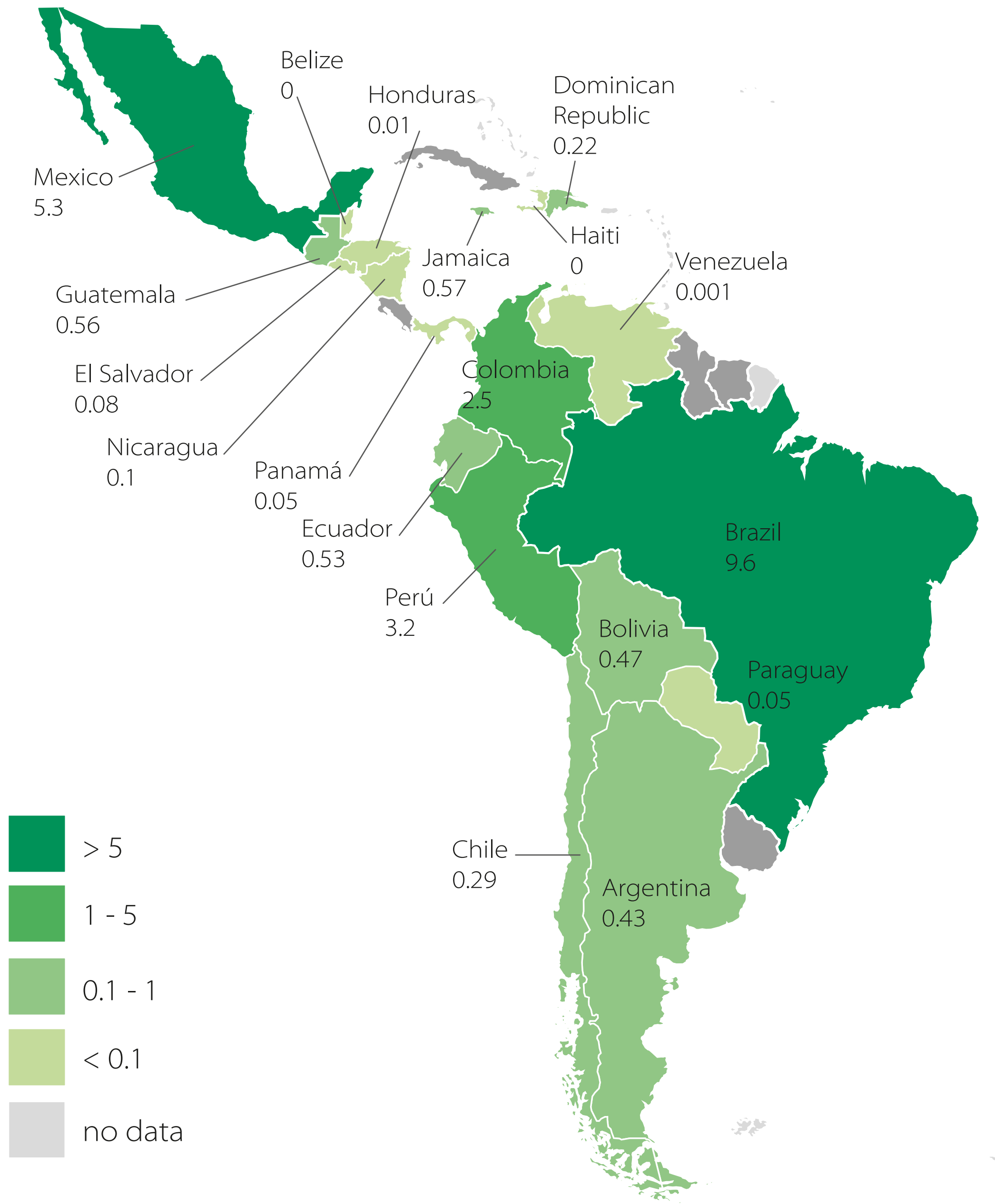
28 Note that the sub-categories do not sum to the total for all accident because of products with multiple covers. The "All Accident" row represents the total as seen in Box 1, without duplication.

Identified accidental death and disability microinsurance products now cover 24 million people for accident-related risks in LAC; Figure 12 shows the distribution of these products. While a considerable volume of lives are covered by accident microinsurance, the majority of these are covered as secondary covers. Specifically, of the 24 million people, 56%, or 13.4 million, are covered through secondary covers, and most of these are secondary covers on life or health products, as personal accident tends to be a relatively cheap and common add-on to a life policy. In LAC, 10.6 million people are covered through microinsurance products that specify accident as the main risk covered.

TABLE 11: SUB-CATEGORIES OF PERSONAL ACCIDENT MICROINSURANCE[28]

COVER	PRIMARY AND SECONDARY COVERS			PRIMARY COVERS		
	INSUREDS (MM)	PRODUCTS	COUNTRIES	INSUREDS (MM)	PRODUCTS	COUNTRIES
ALL CAUSES	**20.351**	**68**	**16**	**6.968**	**24**	**11**
Work	0.134	5	4	0.084	2	2
Travel	3.579	2	2	3.579	2	2
ALL ACCIDENT	**23.997**	**78**	**16**	**10.552**	**28**	**12**

FIGURE 12: LIVES COVERED FOR ACCIDENT (MM)



Coverage for all types of accidents is by far the most prevalent type of accident microinsurance as it reaches the most lives, is offered by the greatest number of products, and is available in the most countries, as shown in Table 11. Coverage for work or travel accidents is only available in a few countries. This may be due to the prevalence of products covering all causes, thus reducing the need for specific work and travel coverage.

BOX 3: EXAMPLES OF ACCIDENT MICROINSURANCE PROGRAM DETAILS

GUATEMALA, BANRURAL, "PASAJERO SEGURO, PASAJERO PREMIADO":

Cover: Accidental death including double payment if the death is on a public transport bus, daily hospitalization costs for up to 20 days after the second day of hospitalization, compensation for loss of a limb, funeral expenses for death from any cause, and entry in a monthly sweepstake for GTQ 5,000 (over USD 600).

Premium: GTQ 12 (USD 1.5) monthly; GTQ 132 (USD 16.6) annually

Source: *(http://www.banrural.com.gt/cobisbv/home.asp)*

BRAZIL, BRADESCO, "PRIMEIRA PROTEÇÃO":

Cover: Personal accident coverage with a sum assured of up to BRL 80,000 (more than USD 40,330) and entry into a monthly lottery with a payout of BRL 20,000 (more than USD 10,000).

Premium: BRL 42 (USD 21) annually

Source: *(http://www.bradescoprevidencia.com.br/PF/Produto-Seguro/Primeira-Protecao/Detalhes-Do-Plano/Caracteristicas)*

PERU, LA POSITIVA, "DIVINO SEGURO":

Cover: Accidental death of the policy owner or spouse and funeral aid.

Premium: PEN 12 (USD 5) annually

Source: *(http://www.lapositiva.com.pe/generales/jerarquia/206/caja-luren/jer.206)*

3.3.
HEALTH PRODUCTS

The distribution of health coverage is shown in Figure 13. Health coverage has undeniably experienced growth in the past several years, but coverage remains limited in LAC. Similar to accident coverage, health is often provided as secondary cover. Of the 10.3 million people covered for health, 9.8 million are through secondary covers, and 2.4 million people receive health coverage that is credit-linked. In the cases of credit-linked health coverage, 1.5 million people, or 63% of the credit-linked group, were required to purchase the microinsurance policy as part of the loan. In addition to the majority of health coverage coming from secondary covers, it is also concentrated in three countries. Three very large schemes in Mexico, Brazil and Ecuador account for more than 90% of all those covered, or 9.3 million people. Table 12 shows the coverage of health microinsurance by type of health coverage available.

FIGURE 13: LIVES COVERED FOR HEALTH

29 Note that the sub-categories do not sum to the total for all health because of products with multiple covers. The "All Health" row represents the total as seen in Box 1, without duplication.

TABLE 12: SUB-CATEGORIES OF HEALTH MICROINSURANCE[29]

COVER	INSURED (MILLIONS)	PRODUCTS	COUNTRIES
Outpatient	4.459	7	6
In-Patient	0.237	9	7
Comprehensive	0.061	5	3
Hospital Cash	5.468	13	7
Critical Illness	0.055	1	1
ALL HEALTH	**10.268**	**35**	**14**

Only 395,000 people have purchased a microinsurance product where health is the main cover. This is understandable as in much of LAC universal healthcare is provided; in these cases, the role for microinsurance is limited to simply filling in gaps in the public program. Such supplemental covers are often better addressed as a component of another product. This may be some of the reason why so much of the health microinsurance is provided as secondary cover.

The limited availability and coverage of health microinsurance in most LAC countries may be due to the prevalence of strong government-run social programs or universal coverage. Many countries also have regulations that govern the design and service of health insurance policies. Brazil in particular has strict health insurance product standards which make health products potentially too expensive for microinsurance. This may be one reason for making health a secondary cover as opposed to developing health as a primary product. Offering health as a secondary cover on a life or accident product is also a way to make simple products more competitive in countries with developed microinsurance markets.

Hospital cash is the most common health cover offered, reaching 5.5 million people. Among microinsurance products with health as the main risk covered, hospital cash is also the most common cover, reaching 184,000 people, just ahead of hospitalization, which covers nearly 150,000 people. As a secondary cover, hospital cash is offered with life and accident products, thus it is sometimes only available in case of an accident. Hospital cash may also be a response to the strong government health programs where a cash product can help people fill in the gaps that they experience with the government programs. Additionally, such products are significantly easier to administer and are likely more interesting to insurers then indemnification methods.

The second most prevalent health cover overall is outpatient care, which reaches 4.5 million people, almost as many individuals as hospital cash. However, over 90% of those people are covered by two schemes in Ecuador and Mexico. Additionally, only 12,000 people, less than 1% of those covered, are covered by microinsurance products for which outpatient health care is the main risk covered. This is expected, as the cost of managing outpatient coverage can be excessive due to frequent utilization. Additionally, people can often relatively easily find the funds for outpatient care through informal loans from family or friends or through savings. Specifically in Latin America and the Caribbean, these schemes have relatively low utilization; these types of secondary covers are added by insurers to add value to their microinsurance products, although insurers are aware of the limited use clients make of such covers.

Hospitalization cover is less common overall than both hospital cash and outpatient care, with 237,000 people covered in LAC. Despite hospitalization coverage's smaller number of insured, this coverage is available in just as many countries as hospital cash. Comprehensive health coverage, which includes both hospitalization and primary care, and critical illness coverage reach the fewest number of people overall, covering 60,671 and 55,058 people, respectively. Only five microinsurance products were reported that provide comprehensive cover; these include one product in Bolivia, two in Ecuador, and two in Peru.

Box 4 provides some basic information on a sampling of health microinsurance programs in LAC.

BOX 4: EXAMPLES OF HEALTH MICROINSURANCE PROGRAM DETAILS

EL SALVADOR, SEGUROS FUTURO, "SEGURO QUIRURGICO":

Cover: Complete cover for surgery (list of 200 interventions) plus USD 130 for tests and consultations; reimbursement mechanism.

Premium: USD 58 annually for Plan A – Individual

Source: ***(http://www.segurosfuturo.com/servicios_seguros_quirur.asp)***

PERU, LA POSITIVA, "FAMILIA SANA":

Cover: Outpatient consultations and tests in a network of clinics, generic drugs through pharmacy network. PA and disability: PEN 10,000 (USD 3,950).

Premium: PEN 12 (USD 5) per month or PEN 100 (USD 40) per year

Source: ***(http://www.lapositiva.com.pe/generales/jerarquia/71/familia-sana-plus/jer.71)***

BOLIVIA, BISA, "ECOSALUD":

Cover: 138 interventions (out-patient and in-patient) available in the Prosalud medical centres, up to BOB 34,850 (USD 5,060) per year, in the cities of La Paz, El Alto, Cochabamba, and Santa Cruz. Ecosalud is available to the clients of the MFI Ecofuturo.

Premium: BOB 40 (USD 6) per month or BOB 480 per year (USD 70)

Source: ***(http://www.bisaseguros.com/seguro1_2.asp?ID=37)***

3.4. PROPERTY PRODUCTS

The volume of microinsurance property coverage is the smallest overall coverage in LAC, totaling 2.9 million. Nearly 70% of this is from just two products in Brazil that offer household insurance as a secondary cover. As shown in Table 13 below, household cover reaches the greatest number of people and is the most widely seen property cover. Household products are available in nine countries.

TABLE 13: SUB-CATEGORIES OF PROPERTY MICROINSURANCE[30]

COVER	INSURED (MILLIONS)	PRODUCTS	COUNTRIES
Crop	<0.001	3	2
Household	2.875	16	9
Other HH	0.001	3	3
Livestock	-	-	-
SME - Stock	0.537	7	5
SME - Other	0.462	5	4
ALL PROPERTY	**2.944**	**27**	**11**

As we see in other regions, property covers tend to develop and expand more slowly than other products, partly due to the control difficulties implicit in insuring relatively low cost items.

Index or catastrophe insurance, shown in Table 14 below, was only reported for four microinsurance products in four countries – Bolivia, Dominican Republic, Ecuador, and Haiti – with a volume of just under 500,000 covered. The four products were mostly covering multiple risks.

TABLE 14: SUB-CATEGORIES OF INDEX PRODUCTS (AGRICULTURE AND NON-AGRICULTURE INDEX COVERS)

COVER	INSURED (MILLIONS)	PRODUCTS	COUNTRIES
Precipitation	0.454	3	3
CAT, EQ	0.474	4	4
Wind	0.454	3	3
Hurricane	0.059	2	2
Price risk	-	-	-
ALL INDEX	**0.474**	**4**	**4**

One major reason for the low number of agricultural and index microinsurance products and their limited coverage is the microinsurance definition used for this study; any insurance product that was substantially subsidized was excluded from the survey results (see Appendix 1). In many countries agriculture or index products are being offered to the low-income population, but they are heavily subsidized or wholly government funded. These include the El Niño Southern Oscillation (ENSO) programs around Peru, and the Caribbean Catastrophic Risk insurance Facility (CCRIF). A 2010 study by the World Bank[24] found that 42% (USD 326 million) of the total agriculture insurance premiums (traditional and microinsurance) in LAC in 2009 were financed by governments, either through subsidies for premium payments or direct purchase of catastrophic coverage. Much of this amount went to smallholder farmers who would likely be included in the microinsurance target market. Argentina, Brazil, Chile, Guatemala, and Peru all have substantial subsidies for agricultural insurance, mainly targeting small famers. In 2009 Mexico's Ministry of Agriculture spent USD 96.9 million on catastrophic agri-

24 Iturrioz, Ramiero and Diego Arias. "Agricultural Insurance in Latin America: Developing the Market." The World Bank, 2010.

cultural insurance for small and marginal farmers.[25] Across the globe subsidies for agriculture are common. Because these government-funded programs have not been taken into account in this study, agricultural microinsurance figures reported elsewhere are likely different from those reported here.

New products that would begin to fill this gap are also currently in development. Some insurers have reported products they plan to roll out in 2012 that would provide property cover. In addition to these products, the Climate Risk Adaptation and Insurance in the Caribbean Programme[26] is working to offer two types of index insurance policies. The first provides cover to financial institutions which have loans to individuals or medium and small enterprises that are exposed to weather risks, and the second provides cover to low-income individuals. The Programme has already completed demand studies in Belize, Grenada, Jamaica, and St. Lucia, and plans to implement the two products in all but Jamaica in 2012.

In general, not just microinsurance, gross premiums in 2009 for agriculture were around USD 780 million,[27] yet the average agricultural insurance penetration in the region was less than 0.4% (agricultural insurance premiums / agricultural GDP).[28] This despite the fact that a significant majority of the LAC population is reliant on agriculture production. Most of these of course are in the "rural areas where two-thirds of the total rural population lives in poverty".[29] The expansion of appropriate agriculture insurance to help protect low-income farmers in LAC from the financial risks inherent in agriculture production is not only important, but is critical to the food security of the region. Box 5 provides examples of two property-related products offered in the region.

BOX 5: EXAMPLES OF PROPERTY, INDEX, AND AGRICULTURE MICROINSURANCE PROGRAM DETAILS

HAITI, AIC AND FONKOZE, "KORE W MICROINSURANCE":

Cover: In the event of a catastrophic loss, triggered by rainfall, wind speed, or seismic activity, the product covers the principal loan balance and a USD 125 cash payout.

Premium: 3% of the loan value

Source: ***(http://fonkoze.org/ourprograms/kore-w-microinsurance.html)***

BOLIVIA, LATINA SEGUROS PATRIMONIALES S.A., "VIDA AGRICOLA":

Cover: Six month policy covering potato and corn farmers for up to BOB 6000 (USD 850). Technical assistance is also offered as a benefit of this product. The policy owner is also provided with a life cover of up to BOB 7000 (USD 1000) and property cover of up to BOB 21000 (USD 3000).

Premium: BOB 620 (USD 88) per ha for potatoes and BOB 310 (USD 44) per hectare for corn. Cover can also be purchased by half of a hectare for half of the premium.

Source: ***(http://www.latina-seguros.com.bo/agricola.php)***

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25 Ibid.

26 The Climate Risk Adaptation and Insurance in the Caribbean Programme is led by reinsurer Munich Re and their Climate Insurance Initiative along with involvement from microinsurance broker MicroEnsure and Caribbean Catastrophe Risk Insurance Facility, a risk pooling facility for the Caribbean governments.

27 Iturrioz, Ramiero and Diego Arias. "Agricultural Insurance in Latin America: Developing the Market." The World Bank, 2010. p. 52.

28 Ibid. p. 57.

29 ***http://www.iadb.org/en/topics/agriculture/latin-american-agriculture-statistics,2342.html***

4

PROVIDERS

Microinsurance products, their quality, and the value they can provide clients are shaped by the concerns, goals, and knowledge of the provider, as well as demand from the market. Within Latin America and the Caribbean, researchers collected data from nearly 100 organizations. The overwhelming majority, around 90%, of these identified organizations are formally regulated, commercial insurers. However, surveys were also received from cooperatives (7 respondents), mutuals (2 respondents), NGOs (1 respondent), informal and community organizations (1 respondent), and government insurance companies (2 respondents). One characteristic that makes Latin America and the Caribbean's microinsurance landscape unique from that of Africa or Asia is the high concentration of regulated, commercial insurers involved.

TABLE 15: PERCENTAGE OF PREMIUMS FOR MICROINSURANCE

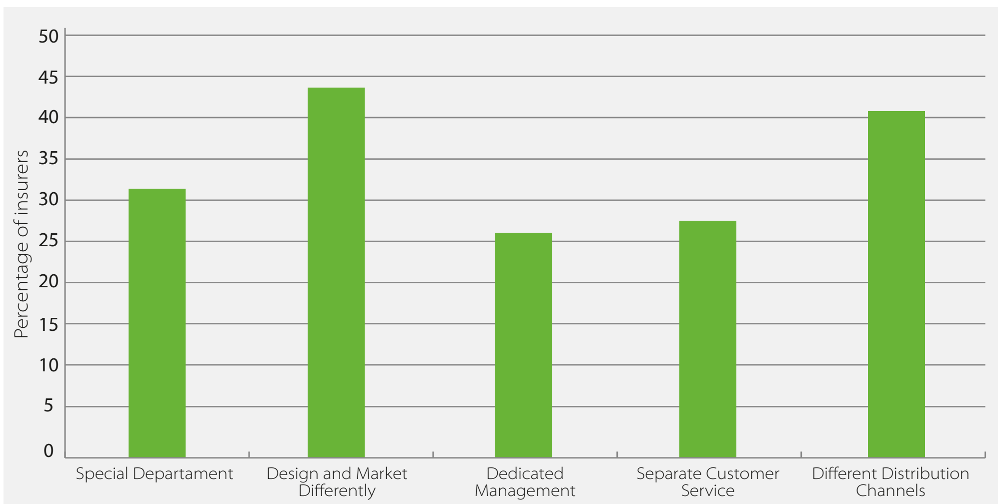
PERCENTAGE OF TOTAL PREMIUMS FROM MI	PERCENTAGE OF REPORTING ORGANIZATIONS
100%	8.2%
75%-100%	2.7%
50%-75%	5.5%
25%-50%	8.2%
10%-25%	8.2%
5%-10%	5.5%
1%-5%	16.4%
<1%	45.2%

Despite being commercial insurers, most of the reporting organizations are relatively small in size. Half of all organizations that provided data self-reported a total annual written premium (including microinsurance and insurance) of less than USD 45 million per institution, and 75% reported a total annual written premium of less than USD 190 million per institution. The five largest organizations reported total written premiums greater than USD 1 billion per institution, and the single largest organization reported total written premiums of just over USD 20 billion.

As Table 15 indicates, of the 73 organizations for which total annual premiums and microinsurance premiums were reported, 8% offer only microinsurance, about 10% receive more than 75% of their premiums from microinsurance, and around 16% obtain more than 50% of their premiums from microinsurance. However, 50% of organizations received less than 2% of their total premiums from microinsurance and 75% received less than 23% of their premiums from microinsurance.

Many insurers take microinsurance seriously and report tailoring their company in some way to specifically meet the needs of microinsurance. Of the responding insurers,[30] 66% reported that they adapt their operations for microinsurance in some way. Successful microinsurance requires some adaptation in terms of product design, the operational structure for offering it, marketing, and other aspects. These adaptations are necessary to facilitate the needs of potential clients. The degree of adaptation might reflect how serious an insurer considers microinsurance as part of their long-term strategy. Those that are making the changes necessary to enhance a long- term vision of microinsurance are likely those that will more significantly lead the market.

FIGURE 14: WAYS IN WHICH INSURERS APPROACH MICROINSURANCE



Most insurers who have made some adaptation indicated that they have done so by designing and marketing their microinsurance products differently, as shown in Figure 14. The second most common type of adaptation is the use of different distribution channels for microinsurance products. Other insurer adaptations include setting up specific microinsurance operations – such as a person responsible for microinsurance, a department, even an agency.

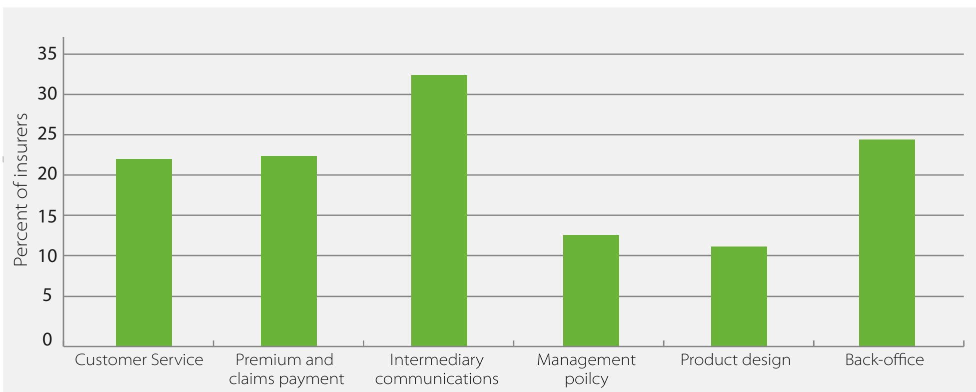
Although Figure 14 shows that almost half of the respondent insurers are making some adaptations, more than half did not report any adaptations to account for microinsurance requirements. This should be a concern, as we know that microinsurance will not be successful in the long term without at least some adaptation, particularly in product development and distribution, but also in terms of service and claims management. Without recognizing the microinsurance paradigm and adapting to respond to the lessons learned already about successful microinsurance, many current microinsurance programs are not likely to last. Failures in microinsurance at this time of the regional evolution will have a negative impact on growth and expansion.

30 78 organizations were specified as insurers.

In addition to adapting operations, more than two-thirds of MI providers also indicated that they monitor the performance of their MI products. Over half noted that they monitor performance through the use of financial indicators, and one-fourth noted using satisfaction surveys. Less that 10% of survey respondents specified that they use social indicators, impact studies, or other measures such as sales, marketing, and claims monitoring in any particular manner for microinsurance.

For insurers, technology can provide an important tool for making microinsurance more efficient and affordable, as well as more valuable to clients.[31] However, while nearly two-thirds of insurers report using IT tools to specifically facilitate their general insurance business, fewer than one-fourth of insurers indicated that they had IT tools specifically for their microinsurance products. Despite minimal adaptation of IT tools for microinsurance, insurance providers apply IT tools to a variety of other key processes. Figure 15 illustrates the percentage of insurers that use IT tools for certain tasks.

FIGURE 15: IT USES IN MICROINSURANCE



Around the globe IT is seen as an important input to efficient microinsurance. Reducing administrative expenses is a quest for all serious microinsurers, thus IT provides important potential in this effort. In other regions the glitzy front office technology solutions are well promoted, as in Kenya and the Philippines. In LAC even front office applications are rather limited. As in other regions, those reporting their IT microinsurance applications for the back office note that fewer than 25% have some application to facilitate the microinsurance back office activities. Without a strong back office it is difficult to take advantage of front office opportunities. This general low level of IT for MI represents an important gap in potential microinsurance progress.

4.1.
PROVIDERS' PERCEPTIONS

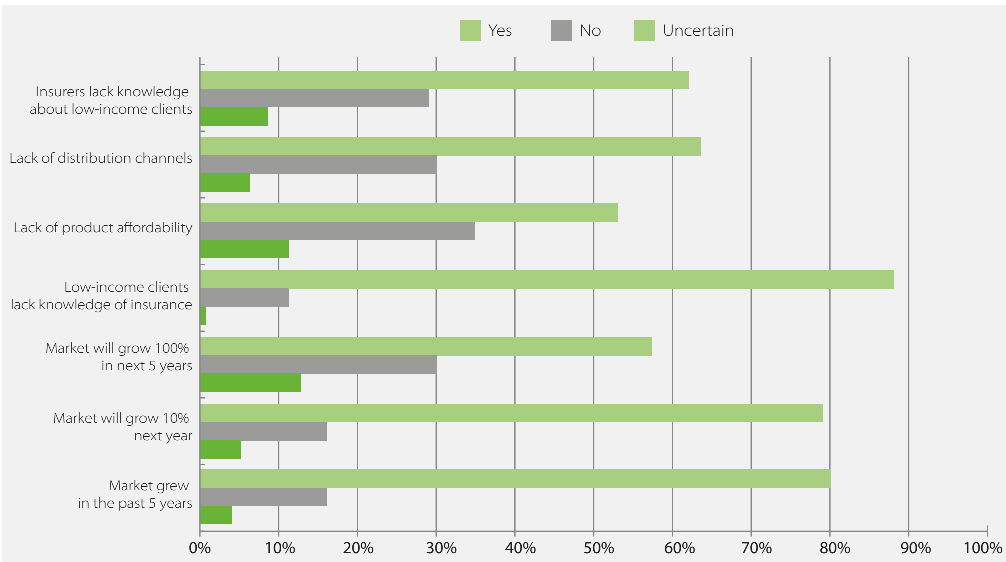
Although each insurer in LAC approaches microinsurance differently, they largely share the same perceptions about the industry. The youth of the microinsurance industry in LAC, and

31 Gerelle and Berende, 2008. This document provides an annotated inventory of IT programs available for microinsurance. In some countries in the region, Mexico and Colombia for example, IT development and support has been strong.

the rest of the world, generates great excitement for the high potential for growth, but it also generates great uncertainty in how microinsurance should be handled by all stakeholders.

Figure 16 (below) shows that across all countries, organizations were confident that they have had and would continue to experience growth. Most organizations, 80%, agreed that the market grew considerably over the past five years. The majority of organizations, 79%, also agreed that the market would grow 10% during the coming year. However, when asked if the market growth would hit 100% in the coming five years, organizations were less confident, with almost one-third not expecting such growth. This may reflect concerns emanating from their other responses as well as their concerns about unsettled regulatory issues relating to microinsurance (discussed below in Regulations).

FIGURE 16: INSURER PERCEPTIONS OF MICROINSURANCE MARKETS



Responses to other survey questions shed some light upon the uncertainty of long term growth. Almost two-thirds of the organizations, 63%, agreed that they lack a sufficient knowledge about the low-income market. This knowledge is essential for success. Even more insurers, 85%, believe that the low-income market does not understand insurance. This combination of the market not understanding the products and the insurers not understanding the market represents a huge gap that must be addressed if good microinsurance products are going to be spread throughout the region.

A majority of respondents also indicated a perceived lack of product affordability among the market, clearly reflecting the need to better understand their markets. In trying to address issues of affordability, knowledge improvement, and generally the trust factor, insurers turn to distribution channels to get their products into the "hands" of the low-income market. Effective distribution is an essential element of successful microinsurance. Yet almost two-thirds of the responding insurers noted a lack of distribution channels. This market gap will have a powerful impact on expansion of microinsurance in two ways. The first is that there simply will not be channels to effectively get even the best microinsurance products to the market. Second, those relatively few active distribution channels with large numbers of constituents will leverage their status towards greater profits for themselves. Already, rather high commissions are evident in microinsurance and more and more, as in Mexico and Colombia for example, distribution channels are requiring substantial up-front "exclusivity" payments. The combination of high commissions with exclusivity payments necessarily drives the premium higher, reducing the claims ratio for clients that are still able to purchase the product, and pricing many out of the product completely. As insurers note, this is a grave concern for massive outreach.

Through interviews and comments from providers, it is clear that the greatest concern is how to reach low-income clients with products suitable for their needs while keeping the process simple and inexpensive and operating within the regulatory framework of the country. In conducting this study, researchers observed concerns for distribution, simplicity, ease of administration, and affordability in all countries, and in many cases those concerns were linked to policy and regulatory effects. Even in the three countries with specific microinsurance regulation (Peru, Mexico, and Brazil), respondents raised concerns about these issues.

5
REINSURERS

While only one-third of insurers report reinsuring their microinsurance activities, the organizations surveyed widely agree that there is not a lack of reinsurers in the microinsurance market. The small number of reinsured products is better explained by the types of microinsurance products offered. As more complex products such as health and property, particularly catastrophe, agriculture, and index, are offered by more organizations, the involvement of reinsurers is likely to increase.

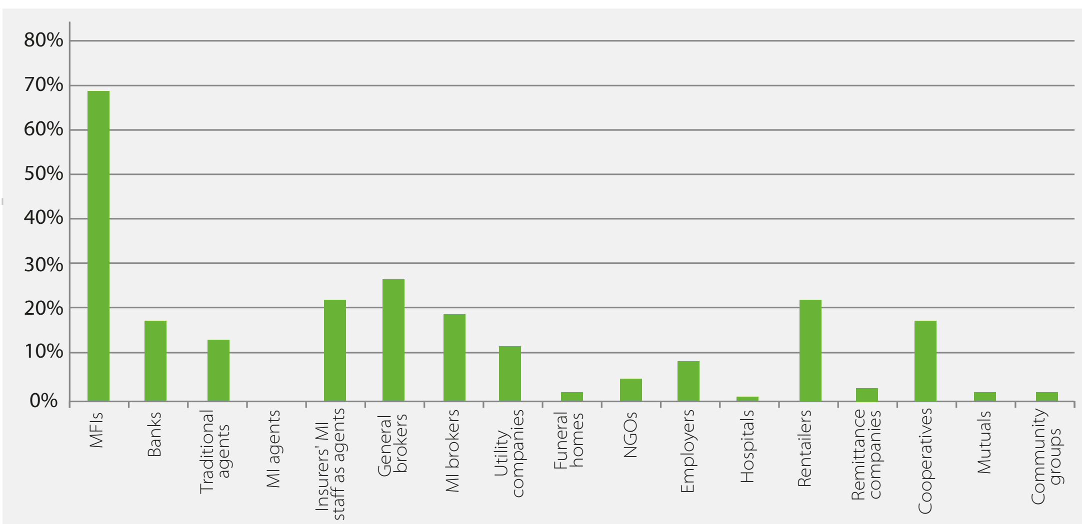
Currently, most products yield limited insurer liability because of their relatively low sums assured as well as the relatively low loss ratios for the products that are offered. As this changes, reinsurers will take on a more significant role. Indeed some multinational reinsurers have been significantly involved developing and managing some of these types of products throughout the region. Regional insurers are also likely to take on an especially important role as they tend to work closely with many of the current companies involved in microinsurance. The role of reinsurers has not simply been in the area of risk absorption, but also in guiding and improving the development of products and services offered by the microinsurers. With an understanding of this market, reinsurers have much to bring to massive expansion of microinsurance in LAC.

6

DISTRIBUTION CHANNELS

Microinsurance has typically been distributed through MFIs, and while MFIs still provide distribution channels to a majority of the microinsurance products in Latin America and the Caribbean, insurers are clearly expanding their distribution networks. For the 19 different distribution channels listed in the survey, all but one, specific microinsurance agents, were reported to distribute at least one product (see Figure 17, below). In other regions, microinsurance evolution has included the development of specific microinsurance agencies, often as an easier legal mechanism than a brokerage. In LAC it is more common, though still very limited, for the development of brokerages, such as some examples in Mexico. There are also several brokers in the region that focus on the whole market but include a substantial microinsurance practice.

FIGURE 17: TYPES OF DELIVERY CHANNELS BY NUMBER OF PRODUCTS

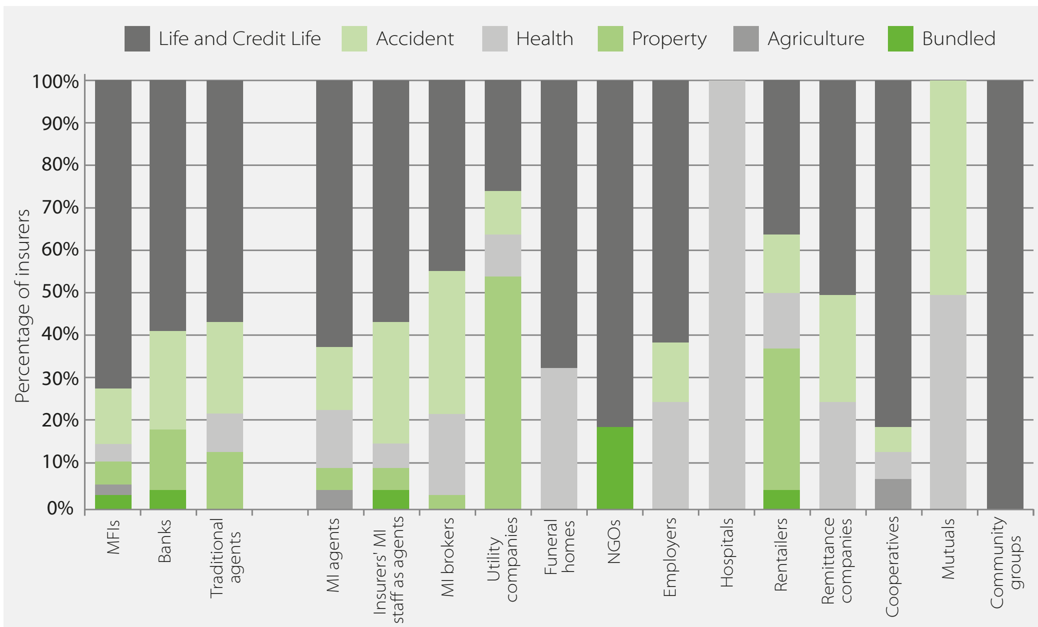


The broad range of various distribution channels is a positive reflection of the maturity of the MI market. Several of these channels – MFIs, financial institutions, cooperatives, insurers' MI staff, brokers, MI specific brokers, and retailers - are all handling 10% or more of the various products identified as being offered in the region.

This variety of channels requires varied management and operational strategies to effectively offer and control the products and their salespeople. Passive and active channels require different approaches and may offer different levels of value for the low-income market. Ensuring efficiency and value will become more and more important in the future as this variety of channels expands further.

Life, accident, and health products are distributed through most distribution channels in LAC, as shown in Figure 18 (below). Property, bundled products, and agriculture products are distributed through a smaller range of distribution channels. The large portion of property products distributed through utility companies and retailers indicates some property products are more mass market oriented. Agriculture products are relatively limited in terms of distribution, however given that agriculture products are still fairly early in the development process, their distribution through MFIs, financial institutions, and by insurers' agents is not surprising. Newer, more complex products tend to require the distribution channel to have greater knowledge of insurance and capacity to handle financial processes and to provide better information to clients.

FIGURE 18: TYPES OF PRODUCTS OFFERED BY DELIVERY CHANNEL



The success of efforts to improve the distribution of microinsurance going forward will be determined primarily by the distribution channels. Distribution channels hold the key to massive expansion of good value microinsurance, even more than the insurers themselves. For example, cooperatives have high outreach in several Latin American countries, with membership of over 10 million people in Brazil, 9.4 million in Argentina, 1 million in the Dominican Republic, and millions more throughout the region.[32] Retailers and utility companies also hold great potential to reach significant number: in Colombia, the major electrical utility CODENSA has distributed over 500,000 active policies reaching almost a quarter of its 2.2 million clients.[33] Those interested in improving microinsurance coverage in LAC will need to develop a focus on distribution.

Insurers are not only challenged to find affordable distribution channels with a large client base and the capacity to market, sell, and to some extent service microinsurance, but in some countries insurers are even further constrained by regulation which limits the channels an

32 International Cooperative Alliance. http://www.aciamericas.coop/Facts-figures-4472

33 Koven, Richard, and Xavier Martin. MILK Brief #21 Colombian Life Microinsurance: An emerging success story. Appleton: The MicroInsurance Centre, LLC. April 2013.

insurer can use. Discussion on these issues is provided in the regulations section below. Table 16 shows the key distribution channels for several countries as identified by the responding insurers as well as research from the consultants. The study results did not allow for analysis of the channels by covered lives or properties. It is clear, however, that a broader range of distribution channels with scale is helpful for significant expansion and high levels of coverage. Additionally, a broader array of distribution channels facilitates a broader range of products and allows for more innovation, as different products designed in different ways are needed to respond to the opportunities offered by different distribution channels.

TABLE 16: MAIN DISTRIBUTION CHANNELS IN SELECTED COUNTRIES

COUNTRY	MAIN DISTRIBUTION CHANNELS
BOLIVIA	Cooperatives, MFIs, brokers
BRAZIL	Retail, direct, agents, brokers
COLOMBIA	Utility companies, MFIs, financial institutions, retailers, wholesalers, mobile phones
ECUADOR	MFIs, financial institutions, brokers
GUATEMALA	Financial institutions
MEXICO	Retail, linked, direct, cooperatives, MFIs, and pawnshops

7 REGULATION

Successful microinsurance requires a healthy blend of:

- insurers with good products and processes;
- intermediaries and distribution channels to get the products to the market;
- demand from market;
- helpful meso-level inputs (actuaries, associations, and others); and
- a policy and regulatory structure that facilitates the special needs of microinsurance.

Getting this balance right – protecting consumers, enhancing access to insurance services, and effectively regulating the industry – can be quite a challenge. Without regulations, insurers can experiment with new products and processes. Once the government starts to consider regulation for microinsurance, insurers hold back because of the ambiguity of the future regulations. Once the regulations are in place, the ambiguity clears but often issues within the regulations arise, like Peru's rapid claim requirements that held insurers back due to the worry of non-compliance, or Panama's regulations previously requiring sales through brokers which led to much higher premiums.

Given this, the International Association of Insurance Supervisors (IAIS) recognizes that:

> supervisors need to adjust certain supervisory requirements and actions in accordance with the nature, scale and complexity of risks posed by individual insurers (i.e. the "proportionality principle"). Accordingly, the relevant insurance core principles (ICPs), standards, and guidance identify areas in their text that provide supervisors with the flexibility to tailor supervisory requirements and actions so that they are commensurate with the risks posed by individual insurers to the insurance sector or to the financial system as a whole. While implementing and assessing the standards in a jurisdiction, it is also important to consider the domestic context, industry, structure and developmental stage of the financial system and overall macroeconomic conditions.[34]

Three countries in LAC have specific microinsurance regulation: Brazil, Mexico, and Peru. Brazil has recently implemented its new legislation on microinsurance, although the government and the insurance supervisor's office in Brazil have been important promoters of microinsurance for nearly a decade. Using an inclusive process, the new legislation addresses microinsurance issues relating to a specific microinsurance license, product parameters, prudential treatment,

34 IAIS. "Application Paper on the Regulation and Supervision Supporting Inclusive Insurance Markets." October 2012.

microinsurance brokers, and microinsurance correspondents.[35] Brazil has established a quantitative and qualitative approach to defining microinsurance including capping coverage on life "microinsurance" products. They have also facilitated requirements for microinsurance agents and streamlined supervisory interventions related to microinsurance activities.

Mexico's regulation is somewhat similar to Brazil's in that a maximum premium and sum insured has been established for a product to qualify as microinsurance. While this effort does ensure that products remain affordable, it limits insurers' ability to create products with great coverage or products that are more complex, such as health and property products. Mexican insurers are pushing for the modification of this law to expand the definition of microinsurance as well as the limits and conditions necessary to offer it. Insurers suggest these changes will enable an expansion of more innovative life policies as well as more property and health microinsurance.

Peru formerly had a quantitative definition of microinsurance requiring products to fall under set premium and coverage limits, although the regulation has since been changed to a qualitative definition which defines microinsurance as a simple product without exclusions and for which claims are paid within 10 days. There is now also little incentive to register products as "microinsurance" because while previously the only options for use of alternative distribution channels were with microinsurance products, after 2009 all insurance products were approved to use such channels. An additional disincentive to registering products as microinsurance is that the regulator's review process to determine whether a product can be considered microinsurance is extremely time consuming. Because of these issues and the fact that there is no particular benefit to registering products as microinsurance, this has led most insurers in Peru to largely leave their microinsurance products unregistered. This appears to have no detrimental impact on microinsurance development and distribution in Peru.

Many countries without specific microinsurance regulation are constrained by general insurance regulation that requires products to be distributed through "approved" distribution channels or that policy holders receive detailed documentation of the policy. Regulations limiting distribution channels, of which Panama is an example, restrict insurers' ability to reach large volumes of low-income clients and allow the approved distribution channels to charge extreme commissions which raise costs for insurers and clients and erode client value. Regulations requiring policy holders to receive dense documents about their policy not only create cost and distribution problems for the insurer, but also make insurance products less accessible to the low-income market. Especially as much of the low-income population in LAC has little to no knowledge of insurance or how it works, long technically-worded documents are more confusing and intimidating than helpful and informative which they may be for middle and high-income policy holders.

Many microinsurance providers report feeling hindered in their microinsurance provision due to regulation restraints on potential distribution channels. One organization in Chile reported that "Current regulation makes it hard to develop innovative [distribution] channels that provide secure access to these [low-income] segments". A respondent in Peru indicated that excluding the option to provide insurance and collect premiums via mobile phones limited the provider's distribution capabilities, especially in rural areas.

In a few countries, providers commented not only on the need to access more distribution

35 ***http://www.susep.gov.br/menuingles/microinsurance***. 14 December 2012.

channels, but also noted some challenges of working with distribution channels. Several countries have distribution channels that charge insurance providers excessively high commissions in exchange for product distribution, and these high fees can drive product premiums out of an affordable range for the low-income population. Before establishing a new regulation in 2012, Panama's regulations restricted distribution to brokers, who would then charge 20% to 30% commission, and outlawed the use of alternate distribution channels such as MFIs and utility companies, which might be more reasonably priced.

Numerous respondents also referenced regulatory restrictions on data that must be collected from or distributed to clients that not only make products more complicated for the low-income clients, but also increase the amount of administration and thus the cost of the product to the providers. A respondent from Honduras reported that regulation requires the insured to receive documentation of the policy containing all general clauses, and distributing the required documentation generates much higher operating costs. In general, a cost / benefit analysis of such requirements should be conducted.

As microinsurance is a relatively young and growing industry, regulation needs to be flexible enough to allow it to continue developing and innovating. Technology, in particular mobile phones, offers both tremendous potential for microinsurance and previously unrecognized challenges for regulation. Through mobile phones insurers could easily access much of the rural population that has been difficult to reach in LAC, and the ability to receive premiums and pay claims using mobile accounts would certainly help lower administrative costs to make products more affordable and may speed up claims distribution which is extremely important to policy holders. However, regulations requiring long policy documents full of general clauses and such will not be feasible to comply with through mobile phones.

Some countries are in the process of developing MI legislation in the region, such as Colombia and Jamaica. These countries have the benefit of learning the lessons of their forerunners in the region. They also benefit from the existence of the IAIS Application Paper. Regulators will need to be sure to strike a balance between supporting the industry and smothering the industry. Countries such as Colombia have developed considerable microinsurance markets without a specific regulatory framework for microinsurance. Yet some MI markets in other countries such as Panama have been stifled by regulation that is too strict. While regulation can play a supportive role for microinsurance and can offer some degree of consumer protection, it can also limit insurers' ability to innovate and develop better, lower-cost products. This study has also shown that clarity of the plans of policymakers is also important in helping the markets to make long-term decisions about their interventions.

Thus far, the growth of microinsurance has been predominantly commercial sector-driven in LAC. Growth has occurred without a specific regulatory framework. Policymakers and regulators will need to be careful going forward. While insurers and regulators recognize the need for clear legislation for microinsurance, the process should reflect the combined efforts of all stakeholders. Additionally, particular issues of consumer protection, mobile technology in microinsurance, and mass markets will need to be carefully addressed. Finally, upward adjustments to minimum capital requirements in many countries tend to focus insurers' attention away from microinsurance while capital deficiencies are addressed. This can impose a retarding of growth and expansion of microinsurance.

7.1.
TAXATION

Taxation of microinsurance premiums can have a significant detrimental impact on:

- Microinsurance sales, as the premiums must include the tax cost, making the insurance more expensive
- Value for clients in terms of reducing the relative amount of claims to premiums

The premiums reported are taxed in most LAC countries, with some exemptions (mostly for life products). In countries such as Brazil or for non-life insurance products, taxes often apply to MI premiums and increase the cost of the MI products for the insured; this reduces affordability and therefore access to MI products. Tax levels levied on insurance by country are shown in Table 17 below.

TABLE 17: TAX LEVELS BY COUNTRY

COUNTRY	TAX APPLICABLE	EXEMPTION
ARGENTINA*	21% VAT	Life, medical and pension insurance
BELIZE^	12.5% general sales tax	Provision of an insurance contract or the provision of reinsurance in respect of such contract and various other “financial services"
BOLIVIA*	13% VAT, Transaction tax	Life insurance transactions
BRAZIL~	IOF (L-0.38%; H-2.38%; Others – 7.38% on gross premiums) // COFINS 2.65% premiums net of claims	Rural insurance
CHILE*	19% VAT 19%	None for MI products (EQ, reinsurance, boats…)
COLOMBIA*	16% VAT	Life and accident insurance
COSTA RICA*	13% VAT	
DOMINICAN RE-PUBLIC*	10% tax	
ECUADOR*	12% VAT	
EL SALVADOR*	10% tax on service and goods transfer	Person insurance
GUATEMALA*	12% VAT	No exemption for MI prod-ucts
HAITI`	10% turnover tax	
HONDURAS*	12% VAT	Person insurance
JAMAICA`	12.5% VAT	
MEXICO*	15% VAT	Agri, life and pension products
NICARAGUA*	15% tax	Agri and motor insurance products
PANAMA*	None	
PARAGUAY*	10% tax	
PERU*	16% tax	Life and pension products
VENEZUELA*	VAT 8-16.5%	

Sources: *= Fiscalidad del seguro en America Latina – J. Armada, FIDES/Fundación MAPFRE; ^= Government of Belize, GST Act; ~= Bester et al., Microinsurance in Brazil: Towards a Strategy for Market Development, 2010; `= Deloitte, Global Indirect Tax Rates

8

DONORS AND INVESTORS

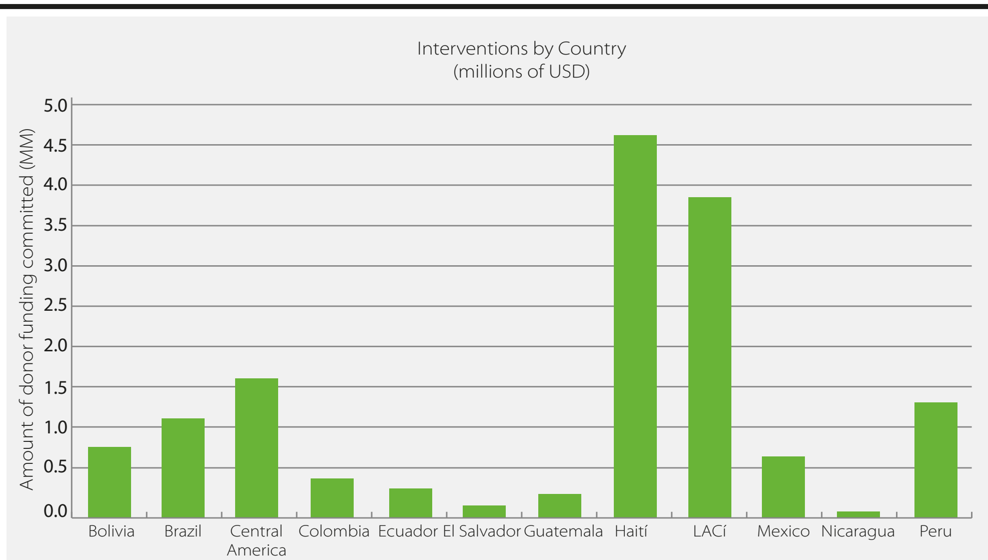
8.1.

DONORS

In contrast to what we have seen in Africa and Asia, in Latin America and the Caribbean micro-insurance has not been a donor-led industry. Of the organizations which provided information for this study, only 26% indicated receiving any direct donor support since 2004.[36] Although the total amount of donor support identified across the region was USD 15.1 million, almost 60% went the top five recipients, leaving only about USD 6.2 million for the rest of the region over the eight years of 2004 through 2011.

Figure 19 shows intervention values by country. Only 12 of the 20 countries that were part of the study showed any donor inputs to microinsurance. By country, the largest interventions are in Haiti and Peru (reflecting grants to MiCRO[37] and Fonkoze in Haiti[38] and three grants in Peru). After these, combined donor interventions do not surpass USD 1 million in any country except Brazil.

FIGURE 19: DONOR INTERVENTIONS BY COUNTRY



36 Of the 99 providers, 26 received funding.

37 The shareholders of MiCRO are Mercy Corps and Fonkoze. The Swiss government and DFID invested in the related multi-donor trust fund administered by Caribbean Development Bank (CDB). The purpose of this fund is to maintain MiCRO's capital given that MiCRO pays basis risk and it can deplete its capital if not managed correctly.

38 The grants to MiCRO and Fonkoze are substantially comprised of two contributions to the catastrophic risk funds of these institutions from DFID totaling about USD 4 million.

FIGURE 20: TOP 5 RECIPIENTS OF DONOR INTERVENTIONS

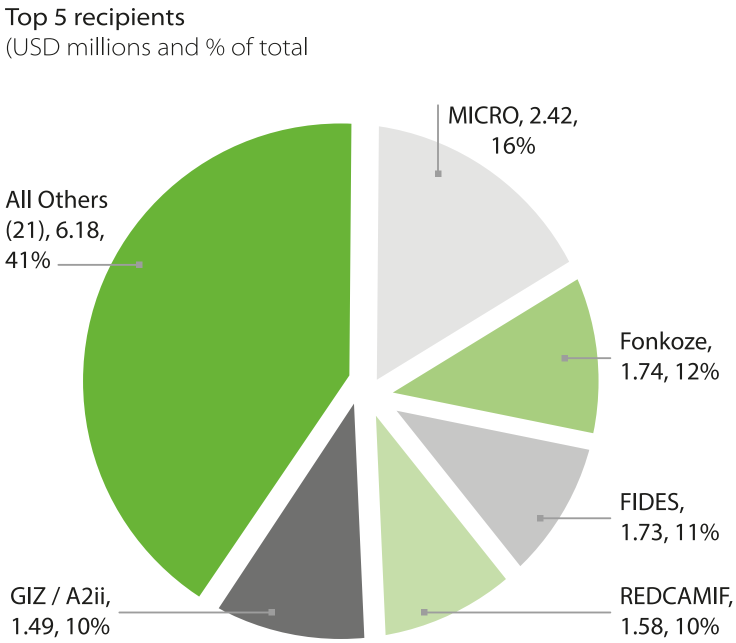
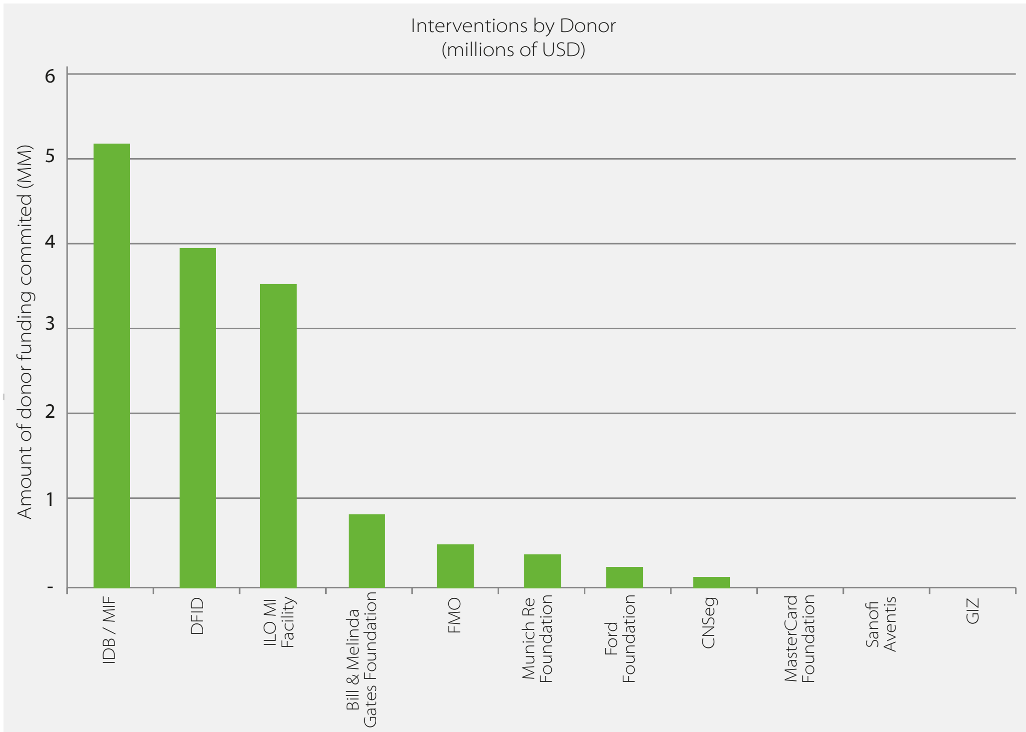


Figure 20 shows the top five targets of donor interventions by value of inputs. The standout targets for intervention were the Fonkoze and MiCRO programs in Haiti, and then those projects that provide multi-country benefits: FIDES, REDCAMIF, and GIZ/A2ii. These donor interventions reflect efforts to build the necessary insurance infrastructure, as well as recognition of the importance of innovative insurance approaches in a disaster-prone nation. Such intervention in experimental approaches is an important role for donors.

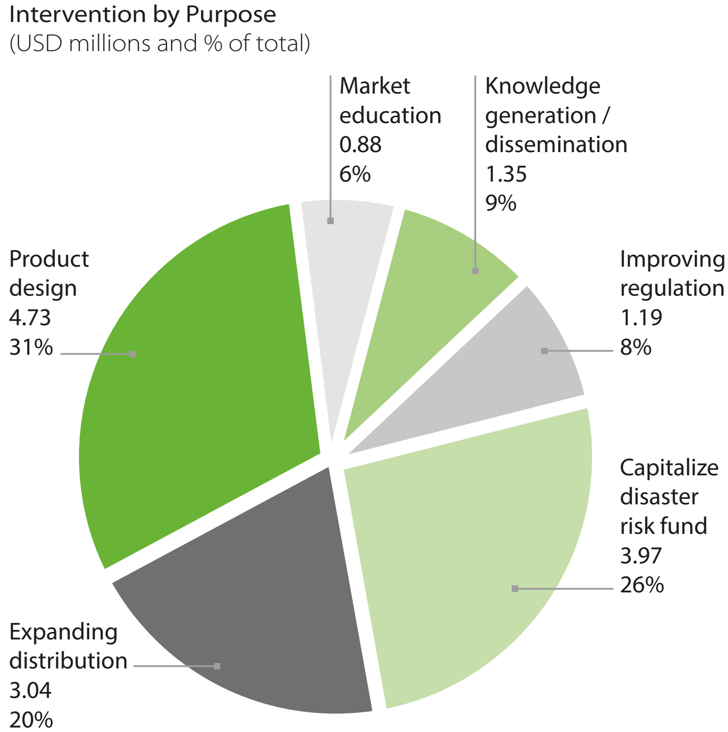
The other three programs in the top five represent approaches implemented across several countries. The intervention with FIDES is intended to result in region-wide benefits in microinsurance driven by the regional insurance association through its member insurance companies. Should this be successful, it will be an important example to regional insurance associations, which should be taking a stronger role in microinsurance development and expansion throughout their regions. The REDCAMIF grant is specifically intended to help distribution channels improve the microinsurance offered to clients, as well as their approach to microinsurance. Finally the GIZ/A2ii project is focused on regulatory improvements through diagnostics and then assistance in implementing the agreed-upon recommendations. Taken together, this regional approach has been undertaken in a strategic manner that addresses insurers, distribution, and the legal frameworks that guide microinsurance activities. Such a holistic approach is important, as lessons in microinsurance show that addressing only one component is typically necessary, but not sufficient for major improvements.

FIGURE 21: INTERVENTIONS BY DONOR



Eleven donors were identified as supporting microinsurance in some way in the region. The Multilateral Investment Fund of the Inter-American Development Bank , the region's development banker, was most prolific in its support for microinsurance, providing grants of over USD 5.2 million to four different projects. Figure 21 provides details of the funding commitments of the identified donors. These interventions may be implemented over a single year, though many are multi-year projects.

FIGURE 22: DONOR INTERVENTIONS BY PURPOSE



While direct donor support is relatively small and it has not yet driven the market, donor support does provide crucial interventions and indirect support to the market, and facilitates change that may result in important benefits to the wider market over time. Donors provide funds for capacity building (such as through courses offered by Centro AFIN in Bolivia) and technical assistance (such as from the ILO to INISER in Nicaragua). Donors also fund the updating of market supply and demand studies (as did the IDB/MIF in several countries), studies of the regulatory environment (as with the regulatory diagnostic by CENFRI in Brazil), market education programs (such as through FASECOLDA in Colombia), and distribution channel capacity building (as the ILO Facility did with AMUCSS in Mexico). This array of interventions has improved microinsurance access in particular areas and can be used as examples to help others improve.

Figure 22 (above) provides details of the volumes provided for different purposes in the region. While product design interventions reflect the strong need to develop and improve microinsurance products in order to provide greater value to the low-income market and enhance the potential to generate greater scale. Product design generally includes a component for demand and supply research, broader research has been significantly limited in the region outside of the current landscape study, however this may reflect a timing issue whereby research on microinsurance required some level of maturity of the industry.

Interventions in market education have been limited but those examples in Colombia (FASECOLDA) and Brazil (CNSeg) have been leveraged for their lessons for others. If dissemination of these lessons is effective, there should be broad benefit across the region and beyond.

Donors have recognized the need for research and effective dissemination, as almost 10% of grants to the region were related to knowledge generation and dissemination. The funds reflect the range of activities from direct research (as with the Ford Foundation study on index insurance in Ecuador) to major conferences (such as the Munich Re Foundation / Microinsurance Network annual microinsurance conferences in the region). These efforts are important in helping to advance the evolutionary path of microinsurance in the region.

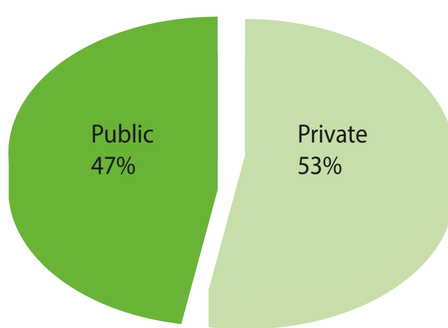
Many would say that distribution is the greatest challenge in microinsurance. In fact, distribution channel development has been an important component of donor involvement. Major projects in this area include the ILO's distribution innovation project with La Positiva (Peru) and the IDB/MIF's regional programs with FIDES and REDCAMIF. Expansion of these programs may be helpful in expanding access especially in rural areas.

The IDB/MIF's project to improve microinsurance legal frameworks will be an important intervention representing 8% of all committed donor funds. This project, implemented by GIZ/A2ii and comprised of a series of diagnostics and technical assistance efforts, will help to create better legal environments for microinsurance. This will have a direct and positive impact on insurers' concern that clarity in microinsurance policy is needed in the region. Plans are moving forward to conduct these diagnostics in 2013 in Jamaica, Colombia, and Peru, and implementation of Brazil's regulatory roadmap will also commence in 2013.

It is important to balance donor interventions in terms of who benefits from the funding and how that might potentially be leveraged. The funding of private goods will help to improve one institution and hopefully offer benefits to its low-income clients. Additionally, all multilateral institutions, like the IDB/MIF, require these grantees to share information; eventually, the donor intervention is hoped to result in success at a level that yields a catalytic effect in the market. This can be a rather slow process of national and regional development.

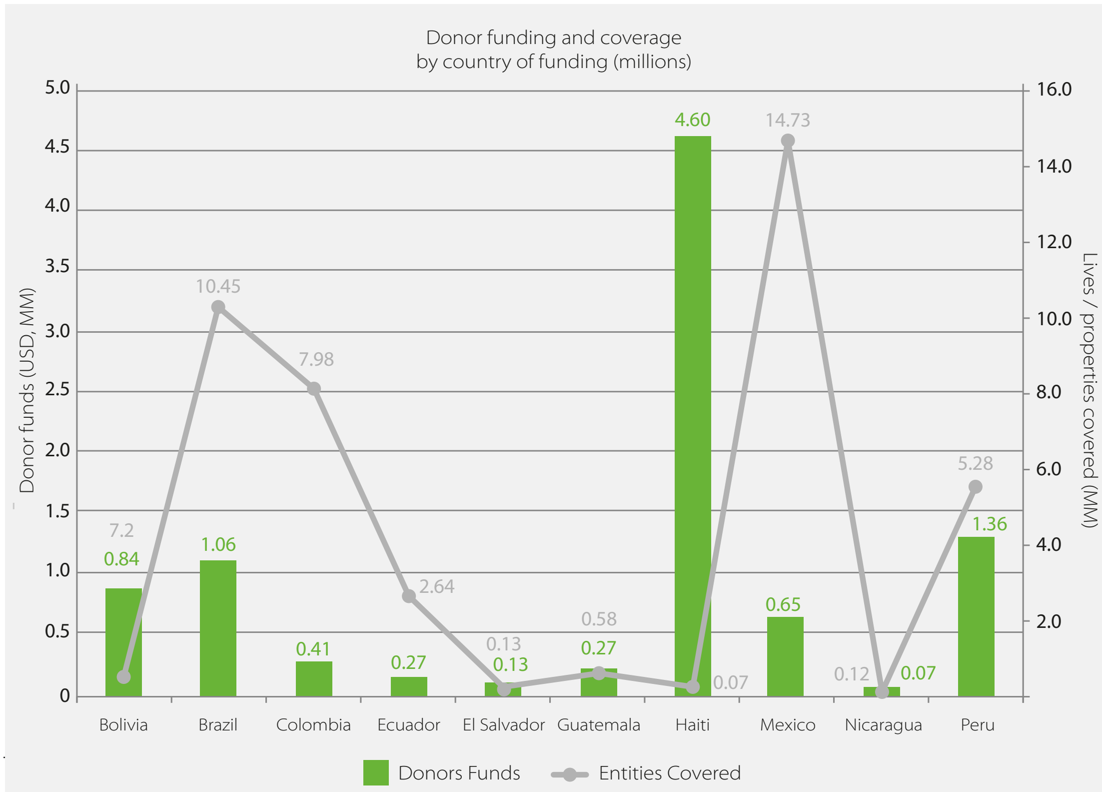
Public goods result from those interventions that yield inputs for the market. These include interventions in improving the regulatory and policy environment for microinsurance, as well as compiling actuarial tables, providing market education, and enhancing the curricular capabilities of insurance training institutes, as well knowledge generation and dissemination efforts, and expanding distribution capacity. These may result in faster improvement in the markets for microinsurance. Figure 23 shows that donor interventions in the region are slightly skewed towards private goods. This requires a more concerted effort in lessons generation and dissemination in forms that may be easily digested by the market.

FIGURE 23: FUNDING OF PUBLIC / PRIVATE GOODS



Donors generally, and rightfully, expect significant results from their interventions. In the case of microinsurance, all interventions should eventually lead to increased volumes of low-income people (or their property) being covered by good (or better) quality microinsurance of varying types. Thus, there should be some correlation between the amount of donor funding provided, and the number covered in a country. A country with significant donor funding should have large numbers of covered lives or properties. Figure 24 superimposes donor funding (excluding the regional interventions) with the number of covered lives or properties in a country. Note that donor funding includes interventions from 2004 through 2011, and the coverage numbers reflect those covered at the end of 2011. Thus for example, USD 0.84 million has been provided to institutions in Bolivia from 2004 to 2011, and 0.72 million were covered in Bolivia at the end of 2011.

FIGURE 24: DONOR FUNDING WITH NUMBERS OF PEOPLE OR PROPERTY COVERED BY COUNTRY

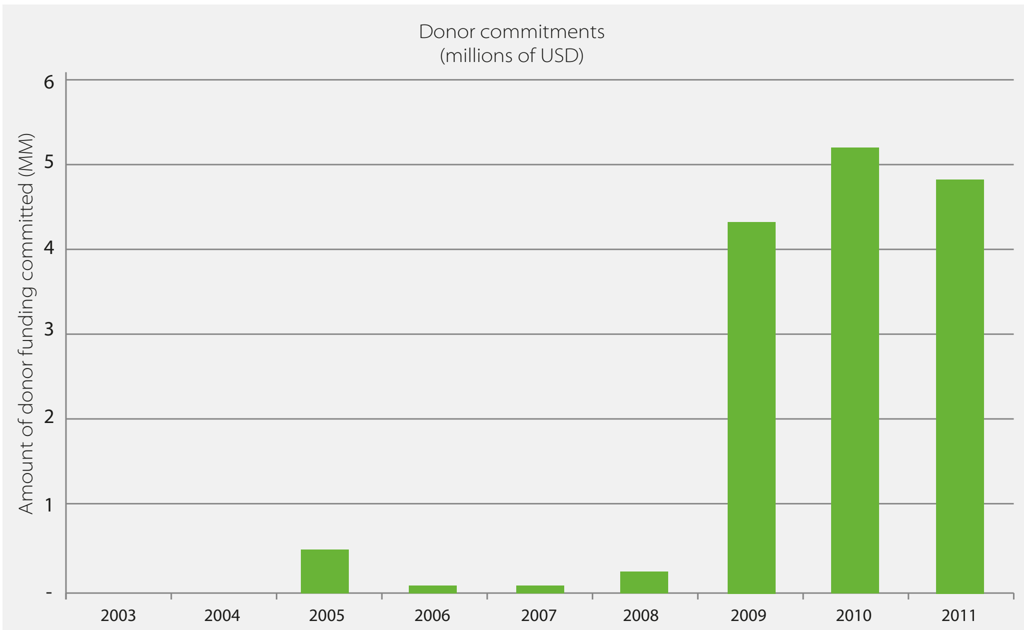


The figure shows little correlation between donor funds and covered lives and properties. A number of issues may explain this lack of correlation:

Timing It often takes significant time to introduce funding, implement change, and achieve results. Microinsurers generally find that microinsurance takes substantially more time to generate scale. Figure 25, in contrast, shows when donor funds were introduced to the markets since 2004. The figure shows that substantial donor involvement (through grants) did not really start until 2009; thus, a direct relationship between donor involvement in a country and numbers covered is difficult to assess.

Products It requires little to no external funding for an insurer to develop a life product for the low-income market, and certainly no donor funds to develop and expand basic credit life. More complex products require additional inputs to assist with various aspects of product, institution, and market development. Currently donors tend to be working on these more complex products, though the complexity of products reflects the evolution of the countries in which donors are working (more complex products found in countries that have more experience, for example). A stronger focus on segmentation and a push for deeper levels of innovation would provide important opportunities for intervention and potentially lead to improved demonstration effects. Technology improvements to make even simple products more effective is also an area where inputs from donors would be important to enhance the viability and outreach of all products.

FIGURE 25: DONOR COMMITMENTS BY YEAR AND AMOUNT



Commercial nature of the markets in LAC Insurers did not wait for donors before they made their initial steps into microinsurance. Insurers and brokers invested in the markets on their own and many have generated significant volumes (most with simpler products) over time. Donor intervention could and should improve the pace of evolution with interventions focused on innovation appropriate to the level of microinsurance development in the various countries. Donor interventions in this area can also help to improve client value by helping the commercial sector to reconcile the potential conflict of client value and profits.

Causality It is indeed difficult to attribute growth or lack of growth in microinsurance simply to donor interventions. Many factors – institutional capability, staff capacity, market objectives, macroeconomic factors, political issues, and others – hinder or promote microinsurance. The general approach with three of the five largest grant recipient programs in the region addressing some markets in a holistic manner – demand, supply, and legal framework – is a healthy approach.

Donors have an important role to play in microinsurance. However, their interventions require improved targeting. This landscape paper should provide some strong clues to facilitate more effective interventions. Donors should be working to ensure that their interventions result in better and wider coverage, through monitoring and evaluation of pilots and innovations. The donors' role should be a short-term role assisting in product or process development or improvement, helping refine the regulatory environment for microinsurance, and building up meso-level capacities (technical assistance, capacity builders, actuarial data development, association strengthening to improve their microinsurance efforts, and improved technology for microinsurance), effective market education facilitation, distribution channel capacity improvements, and assistance with the development of rational consumer protection policies. Additionally, donors have an important role to play in moving microinsurance to the rural areas where it is harder for insurers to make a business case for intervention; facilitating efficient solutions to help insurers conduct business in the rural areas would dramatically expand access to microinsurance products. In short, donors should be focused on helping to build / improve an infrastructure within which microinsurance can flourish.

8.2.
INVESTORS

Investments in microinsurance have been important in promoting two key programs in the region. These two programs – Protecta Seguros (part of Groupo ACP) and ParaLife – will be important examples of the power of microinsurance investments. The study identified USD 12.7 million invested in these programs.

The IFC has invested approximately USD 1 million (for a 16.5% equity stake) in Protecta, which started operations in 2008 as a microinsurance provider and enjoyed its first profitable year in 2012 based substantially on its primary distribution channel, its Groupo ACP partner, MiBanco.

"ParaLife is a management company and a service provider that develops, markets and administers financial protection and savings products for people of 'The Majority.'[39] Investors include:

- IFC (USD 3 million equity investment plus USD 1.5 million loan)
- IDB/MIF (USD 3 million equity investment)
- Andean Development Corporation (USD 0.5 million equity investment)
- Accion (USD 1.2 million equity investment)
- Other individuals

These investments reflect a strong commitment to microinsurance, and the lessons that come from them – successes and challenges – should be identified and widely disseminated.

It is important to remember that among the most significant investments in microinsurance are those of the commercial insurers themselves investing in developing products, markets, and systems for microinsurance where they see a potential market opportunity. The interest of insurers in the microinsurance market allows for more efficient interventions by donors and others. In microfinance for example, the lack of entry into credit and savings markets by banks in the early years required donors to construct a microcredit industry. In contrast, the active engagement of insurers in microinsurance allows donors to focus on improving products and systems, instead of building the microinsurance industry from nothing. The inputs and active interest from insurers have been the true drivers behind growth and expansion of microinsurance.

39 ParaLife web site: ***www.paralife.com***

9

GAPS

The process of gathering data for this study was enhanced by visits to most study countries by researchers from the study team. This strategy was intended to help insurers better understand the objectives of the study and address face-to-face any issues they had with the questionnaire. It also allowed the researchers to gather additional, typically qualitative, information on the insurers, the market, and the country. This strategy proved valuable on each level, but particularly in gathering additional information. The Country Briefs, starting after the conclusions to this paper, emanated from these visits. The briefs provide one-page overviews of the microinsurance status in each of the twenty countries.

Obtaining a deeper level of understanding of microinsurance in these markets also allowed for a greater understanding of the characteristics and issues of microinsurance in each country. With this understanding, the team was able to create a general typology of microinsurance in the region.

Based on macroeconomic, commercial, development, and other market issues, four general categories of national microinsurance development models were identified in the region.

- The **Frontier Market** is one in which microinsurance is just starting or is about to start. It may include countries, like Jamaica, which might reach a substantial market, but with one insurer offering one, typically very basic, microinsurance product. These countries also often have a smaller population which might limit the potential for microinsurance success since profitable microinsurance requires high volumes.

- The **Credit Market-led model** is one in which microinsurance is driven by microfinance institutions offering products to their clients. Some of these, like Ecuador, have large numbers of clients most commonly gaining access from MFIs or downscaling banks. Limited growth results from other distribution channels. Credit-led country types are limited by the growth of MFIs and may have few other options for distribution on a large scale at this point in time.

- The **Mass Market-led model,** with Brazil as a classic example, is one in which the country has a very rapid and robust middle class. In such a market the distinction between microinsurance and insurance is ambiguous, as insurers simply push to prepare a market for greater insurance needs and to service those needs. This model reaches large numbers of people, but often with very basic products, some with questionable value

- Finally, there is a group of countries that show characteristics of multiple models. This **Hybrid model** represents countries, like Colombia, that are both strong in microfinance and possess a rapidly growing middle class with many "alternate" distribution channels. These countries have the benefit of multiple strong distribution channels and insurers that are competing for the microinsurance business.

Using these four types, and the characteristics of the microinsurance activities represented by them, the countries of the region are aligned as shown in Figure 26. This alignment into types helps not only in segmenting by like types, but it also facilitates the consideration of gaps and potential remedies by type, which may help in structuring implementation strategies.

TABLE 26: COUNTRY ALLOCATION BY TYPOLOGY

FRONTIER MARKET	CREDIT MARKET-LED MODEL (STRONG MFI SECTOR)	MASS MARKET-LED MODEL (RETAIL, ETC.)	HYBRID MODEL (COMBINES MASS AND CREDIT-LED)
Argentina	Bolivia	Brazil	Mexico
Belize	Dominican Republic	Chile	Peru
Costa Rica	Ecuador		Colombia
Jamaica	El Salvador		
Panama	Guatemala		
Paraguay	Haiti		
	Honduras		
	Nicaragua		
	Venezuela (formerly)		

Having a typology of country microinsurance status facilitates in identifying gaps and addressing potential interventions to improve the access to microinsurance in the different groups. Figure 27 provides a summary of the gaps in the microinsurance landscape by typology. Although some of these may overlap – consumer protection interventions are needed in most countries – many gaps identified reflect the stage of microinsurance evolution of the countries within each type.

A typology such as this also helps donors and others to understand where there might be appropriate examples that are further along in evolution. These examples can then be leveraged with the frontier countries, for example, and used as a demonstration effect to help start microinsurance or improve products and operations more effectively.

TABLE 27: MARKET GAPS IDENTIFIED BY TYPOLOGY

FRONTIER MARKET (LOW / NO ACCESS)	CREDIT MARKET-LED MODEL (STRONG MFI SECTOR)	MASS MARKET-LED MODEL (RETAIL, ETC.)	HYBRID MODEL (COMBINES MASS AND CREDIT-LED)
Know-how	Voluntary sales	Consumer protection	Consumer protection
Product development	Back office and IT capacity (large countries/programs)	Regulatory support	Regulatory support
Actuarial analysis	Brokers and intermediaries (small countries)	Regulatory requirements-policy content	Cost accounting and controls
Voluntary sales	Cost accounting and controls	Linkages with mission-led institutions	IT
Regulatory support	Health covers	Regulatory support	Agricultural covers
Working with non-MFI channels where MFIs are few	Agricultural covers	IT/Back office efficiencies and systems	Health covers
IT, especially back office	Claims assessment technolgies (property-agriculture)	Cost accounting and controls	
Consumer protection	Consumer protection	Agricultural & health covers	

The examples of identified gaps within the various models shown in Figure 27 are based on the collected qualitative and quantitative data from the questionnaire, coupled with information from guided discussions with insurers and others within the countries surveyed. Gaps in the "infrastructure" of microinsurance markets are considered to be specific areas that are absent or weak within a market, yet are important to driving improved access and expansion. If these gaps are filled effectively, improvements in microinsurance access should result.

The Frontier markets need the basics to help insurers, distribution channels, and the markets themselves understand microinsurance and to have the tools to effectively provide access to good quality risk management. Although one country in the group, Jamaica, serves almost 21 percent of the market with one basic microinsurance product, the product is very new and does not reflect even basic microinsurance expertise. The insurers in these countries have not made the microinsurance paradigm shift, distribution channels are weak, and the microinsurance environment of macro and meso inputs does not exist. It is apt these will evolve to offer microinsurance, but the time frame is likely to be long, with several errors that have already been learned elsewhere made along the way.

In the Credit-Led market group, several of the countries (plus Mexico, Peru, and Colombia from the Hybrid group) were among the first to offer microinsurance in the region. In most cases, MFIs were identifying risk management issues among their clients, and they pushed insurers to develop products to provide for those needs. In those countries that are now in the Hybrid group, insurers identified other distribution channels and have expanded way beyond the MFI networks.

The Credit-led Countries have tended to stay with limited product offerings and limited distribution channels. This has retarded effective expansion beyond consumers of microcredit products. What is missing in these markets are: product variety, an expanded array of intermediaries, ways to more effectively manage and monitor efficiencies, mild levels of consumer protection interventions, and a range of products that are not linked to credit, including voluntary products.

The Mass Market-led countries tend to have a large and growing middle class. This has created an obscuring of any differences between microinsurance and mass insurance. These countries have important gaps in terms of regulatory matters, though Brazil is working on this, and a lack of spreading to other distribution channels outside just the retail markets. This current strategy generates volumes of clients, but products are still basic and limited. Expansion to a broader range of distribution is needed and may help ensure that low-income people are not lost in the push for mass market expansion.

The three countries in the Hybrid type reflect the peak of evolution of microinsurance thus far in the region. They have a range of distribution channels, from "traditional" MFI-linked microinsurance to mass market retailers and brokers specializing in microinsurance. This range of distribution has propelled these three countries to become three of the top five countries in terms of relative coverage, and positions these countries for significant continued growth. Missing, however, are regulatory guidelines that might preserve the continued growth, such as consumer protection considerations and improved regulatory structures. Additionally, these countries are experiencing very high levels of commission requirements to attract the large distribution channels. Efforts to really understand the level of costs are lacking and could help to rationalize the commission requirements and bring down premium rates.

Generally the region also suffers a lack of meso-level infrastructure:

- Quantification of risk for microinsurance is typically based on institutional experience rather than actuarial data that covers the low-income market.
- Associations are generally weak in terms of supporting microinsurance across the industry (except for FASECOLDA). FIDES could be an important leader in microinsurance in the region and is building its capacity to support members in microinsurance. At a minimum FIDES could facilitate implementation of a consistent definition of microinsurance across the region as well as begin to collect regional microinsurance data to assist members in developing benchmarks for microinsurance performance.
- Technical assistance has been weak for those insurers interested in improving their offer. Others have not yet seen the value in the inputs from TA providers, even given the list of concerns noted above.
- Market education on microinsurance, except in a few cases, has been almost non-existent. Yet there are significant opportunities available in terms of linking with other efforts such as those market education strategies around correspondent services or conditional cash transfers. Technology is also important in this realm and could help to make processes more efficient, products simpler, and even claims payments much more rapid, all of which are critical to the success of any market education campaign.

These issues are also gaps that if filled effectively might help to improve the variety, quality, and volume of microinsurance across the region.

10
RECOMMENDATIONS

Although all countries could benefit in some way from assistance with each of the gaps identified in the figure above, the gaps specifically noted within each model, if addressed, would have the greatest impact on the respective countries' microinsurance industries. Addressing these gaps is expected to dramatically expand access and use of microinsurance, as well as improve the value of products for the low-income market and increase insurers' potential for profitability.

Addressing the gaps will require both public and private goods. Public goods, such as regulatory and consumer protection support, are beneficial to the whole market. These interventions are often relatively quick and can have a positive impact on the broad market, if there are others to take advantage of the public good.

Private goods directly benefit one particular institution, for example cost accounting and controls and product development. Private goods are often provided as a means of generating a catalytic response. In these cases, such as ParaLife (USD 7.5 million) or Fonkoze / MiCRO (USD 4.1 million) the intention is that not only will the institution provide significant access to low-income people, but also that others will see the success of the investment and replicate it in some way. In these cases, the private good's promotion must be facilitated by the investor or others so that other parties in the market can understand how the success came about and they too can expand successfully.

Such a conversion of private goods to public goods, as well as promotion of the information and lessons resulting from public goods, requires a number of efforts:

- Those receiving private goods from donors must be willing to share their lessons and the donor must have an efficient mechanism for identifying, generating, and disseminating those lessons. Too many lessons in the region go unrevealed. An example is the failures of donor-funded microinsurance programs in the region where the lessons of those failures are not analyzed or disseminated. Donors in the region need to focus on leveraging the lessons that they fund. They should also leverage lessons from other regions through translations and active engagements such as conferences and workshops.

- Returns from public goods often require more than simply dissemination. In some countries, market education, conducted as a public good, is not leveraged by insurers, as there is little done to involve them in the project and little done to help them see how they can leverage it. As an example, in Kenya a microinsurance promotional soap opera (funded by donors) has led – with the assistance of additional donor interventions – to insurers offering products that mirror those on the popular soap opera, thus providing instant recognition and trust from the market. In the Dominican Republic, Adopem has also developed a successful soap opera around the microinsurance theme.

- Another example of the need to leverage interventions includes demand studies, where diagnostics are becoming popular in the region but little is done to help insurers translate the demand data into effective products. Such reports are not valuable if they are not actively leveraged.

- Additionally, training programs in microinsurance have little impact without follow up. A small investment in follow up might have an important impact in solidifying the trainings, as has been done in such countries as Ghana. For change in the LAC region, interventions must be effectively leveraged into results for low-income families, insurers, and distribution channels.

- Many other relatively common interventions may also have an important impact in converting private to public goods. Some of these include: webinar-type media conveyance of lessons and practices; experience exchanges; communities of practice; case studies (of successes and failures) that look deeply into value and business case issues and link them to processes and outreach; and improving the capacity of associations to create value in transferring lessons.

A combination of these inputs will be necessary, but especially in the countries with more advanced microinsurance markets, public goods may be the most effective approach generally. For example, market education coupled with efforts at consumer protection may prove helpful in building the capacity of the low-income market to understand and enforce the provision of good value products. Reviewing the microinsurance-related legislation is important in these countries and others to ensure an effective legal structure for microinsurance. In Peru, for example, there have already been two iterations of microinsurance regulation, and still most insurers that offer microinsurance do not register these products as microinsurance because such registration simply adds reporting burden and no benefits. Such an approach does not help improve microinsurance offerings, delivery, or service.

A number of key areas have been reviewed in this landscape study. Many of these come with recommendations for improving the microinsurance environment. Below, we look at some of these key areas and outline specific recommendations within them. Each recommendation will be identified as appropriate for one or more particular typologies as follows:

- F = Frontier market

- C = Credit-led markets

- M = Mass markets

- H = Hybrid markets

10.1. PUBLIC GOODS

Public goods provide non-specific benefits to all parties in the market. They are generally intended to rather quickly improve the overall environment for microinsurance within the country. Several public goods could improve the value and volume of microinsurance in the region.

A legal framework for microinsurance should help to guide the behavior of the market towards efficient and simple products that add value to the risk management strategies of low-income people. Although microinsurance has evolved in LAC primarily in the absence of specific microinsurance legal frameworks, it is clear from the responses of insurers that such legal frameworks are now needed to promote microinsurance as well as to clarify the related microinsurance legal issues. Such clarity through a legal framework, or at least a clear roadmap to implementation, which addresses the various microinsurance challenges will help insurers to make more rational decisions given an understanding of the longer term legal environment within which they work. Several key issues should be addressed.

- (CMH) The IAIS has developed an application paper on supporting **inclusive insurance**. This document is designed to assist regulators and supervisors to structure a legal framework for inclusive insurance (broader microinsurance). Regulators will need assistance in assessing their current structures against the recommendations of the Application Paper and in designing strategies and legal instruments to facilitate their adaptation where appropriate. This also includes a definition of microinsurance that might be replicated across the region to provide for a more consistent understanding of "microinsurance".

- (FCMH) Developing a microinsurance legal structure requires some assistance to insurance regulators and supervisors, but the bigger issue is in **implementation**. The IAIS application paper, for example, calls for proportional regulation and supervision. However, most supervisors have been following prescriptive supervision methods. This change towards proportional supervision is particularly appropriate for microinsurance but will require significant implementation assistance to supervisory authorities.

- (CMH) Consumer protection strategies are required in the legal structure. But it is critical that implementing consumer protections do not move microinsurance back to complicated products, documents, and processes, or expensive compliance mechanisms. Microinsurance was effectively built on removing many of the traditional consumer protection requirements such as lengthy policies and individually licensed agents.

- (CMH) **Tax policy** should be addressed in LAC. Unlike other regions, most LAC countries charge a VAT on premiums for microinsurance. These premiums add to the cost of the cover and reduce the value to clients. Because insurance reduces the overall financial risk to the financial system, eliminating such tax burden on these products would be beneficial across the financial system. An example in the region is Panama, which manages not to charge a premium tax on any insurance, and additionally Brazil, which offers specific tax reduction for microinsurance.

Distribution is critical to microinsurance expansion, but regulations typically limit the ability to use a broad array of distribution channels. Those using extra-legal channels run the risk of legal sanctions. Many microinsurers in the region have expressed limitations in their expansion due to uncertainty of the legal structure. Additionally, the legal ambiguity has the potential to reduce consumer protections. Efforts required include:

- (MH) **Clarifying legal structures** for distribution requires not only new acts, memoranda, orders, or other legal instruments as nationally appropriate, but it also requires a strong effort to improve the capacity of the various distribution channels while still allowing a broad variety of distributers. The clarification also requires improved, simple consumer protection mechanisms to make sure that clients are treated fairly. This is a challenging order as formal consumer protections often cost money to develop, implement, and manage, and such costs will ultimately be borne by the low-income client. At the same time, legal broadening of who can be an agent or intermediary for microinsurance is necessary in most countries, but without onerous requirements on the microinsurance agent. Care must also be taken in terms of restrictions on agents, such as legally capping commissions. Such capping generally has the result of making the fee structure less transparent.

- (CMH) New distribution channels may **require coordination with other regulatory bodies** within a jurisdiction. Mobile applications for microinsurance, as well as insurance transactions through "e-money" and other non-bank / non-insurance channels, among other innovations, need to be considered especially in some of the more advanced countries in the region.

- (FCM) Enhancing the capacity of distributors in general is a significant public good. The following steps would greatly facilitate this process:

  › developing tools to aid sales and other interactions with potential policyholders

  › ensuring that distributors understand the value of microinsurance to their organization, as they must see a benefit if they are to make an effort to sell microinsurance

  › developing basic skills for monitoring microinsurance so that distributors might help to improve the value of the products to their clients

Market education is an important means of helping prepare the market for understanding microinsurance as well as developing the low-income population's ability to understand their options in terms of risk management strategies. Market education also has a role to play in consumer protection. However, effective market education requires that microinsurance products are available for people to purchase after they have been educated; this makes sequencing of market education important. It is very easy to spend vast sums of money on market education and get virtually no return from that expenditure. It is also critical that market education interventions are appropriate and effective. Lessons from Colombia and Brazil, for example, might be helpful in structuring the programs of other countries in the region.

- (H, and some of C and M) Helping the market understand the benefits, issues, and uses of microinsurance is important, and strategies for **market education should be developed as appropriate for the specific needs of each country and microinsurance market.** These interventions require significant preliminary work to make sure the message is effective, the medium is appropriate, and the products are available. This level of preparation is often not structured into market education interventions and often requires external interventions to facilitate it. Market education also is not a one-time intervention; occasional refreshers are required.

(H, and some of C and M) Historically little monitoring of market education effectiveness has been conducted. However, monitoring the effectiveness of market education approaches is crucial for finding the most financially efficient methods. Monitoring the effectiveness of microinsurance market education will help promote effective interventions that result in people purchasing microinsurance products and improve overall risk management strategies for low-income people. Without carefully monitoring market education efficiency and adjusting based on results, the costs will quickly dissuade anyone from "investing" in market education.

Building up the meso level of microinsurance support will help to improve microinsurance value and volume. Microinsurance interventionists commonly focus on either the macro level (regulators, supervisors, and the legal structure) or the micro level (insurers, intermediaries, and distribution channels). However, a strong support structure is also necessary in the region.

- (H, plus the larger C and M countries) **Capacity building of insurance associations and their institutes** is an important intervention to improve microinsurance in individual countries in the region and in the region as a whole. FASECOLDA in Colombia is an international example of an effective insurance association providing strong benefits to the microinsurance sector.

Their efforts to track microinsurance data, develop, pilot test, and implement market education programs, and conduct workshops and trainings to improve the capacity of, and information available to, microinsurers in the country is not duplicated anywhere across the globe. Such an example and that of CNSeg in Brazil should be replicated in the larger countries of the region. An overall assistance to the region's associations might be most effectively provided by or through FIDES, given its commitment to an active focus on microinsurance and the ways it can facilitate its members' activities in this area. Among these include: data collection, promoting consistency in microinsurance definitions, lobbying on behalf of their members for good microinsurance legal frameworks, developing benchmarking for microinsurance activities in the region, and sourcing assistance where appropriate. Continued regional efforts with distribution channels such as with REDCAMIF have the potential to improve the effectiveness of distribution channels and should be expanded. Associations should also be facilitated to aggregate microinsurance data in their countries or regions; understanding the national landscape of microinsurance will be a benefit to their members as it is in Colombia with FASECOLDA.

- (CM) **Capacity building in microinsurance for insurance training institutions** could help address capacity building issues on the micro level for insurer and delivery channels. Possibly through FIDES (linked to the ILO's microinsurance capacity building program), a general microinsurance curriculum could be adapted to the region, and trainers from national insurance institutes could be trained to deliver the trainings. Some training programs could be developed as e-learning modules to allow for broader accessibility, especially in countries or areas with limited ability to sustain a full in-class training program. These programs will need to include a component of follow-up to help participants implement the lessons and not just get a certificate. Capacity building programs are not sufficient without effective follow-up. Evaluation and assessment of results will be key to capacity building efforts. Institutions should not be investing in capacity building unless there is a clear and positive outcome that changes or improves business practices, product development, or processes.

- (HCM) **Actuarial capacity building including development of risk tables covering the low-income market** would benefit microinsurance expansion. Actuaries and actuarial data are key elements in effective pricing. When either is weak, insurers compensate by increasing the loading of the premium. This makes premiums more expensive and limits the market potential for the product. Stronger actuarial capacity can help insurers start with more rational pricing. Microinsurance also requires simple products often with few or no exclusions. To effectively make decisions about retaining or dropping exclusions also requires skilled actuaries. Capacity improvement might benefit from a regional approach.

- (FCM) **Microinsurance technical assistance capacity building** could further develop the microinsurance market in LAC, as insurers, by a large margin, noted that they did not have the technical knowledge required for successful microinsurance expansion – both in terms of products and client volumes. At various levels additional technical assistance is needed to help move these microinsurers along the evolutionary path to improved and profitable microinsurance operations. Technical assistance capacity is limited in the region. Continuation and improvement of the ILO Fellowship program should be a component of a capacity building program. Training programs (with follow-up and practical application) would also improve the capacity in the region.

- (Some C and M) **Developing information technology (IT) systems** would make a major impact for micro level institutions which tend to have weak systems for microinsurance, although this intervention may be most feasible through a regional approach. Traditional systems are often not structured for large volumes of insurance transactions. Distribution channels often have no effective IT for microinsurance. A traditional approach is one in which companies purchase institution-specific systems for their operations. Addressing each institution's IT needs for microinsurance would be massively expensive though it would improve the key factor in MI IT, the back office. However, this solution would still not significantly improve the interface between insurers and distribution channels (including new technological means of distribution and servicing). If there are to be interventions to assist insurers to improve their IT systems, which is a clear gap, such systems should be available and managed on a regional basis. Cloud technology has improved and offers the potential to cover many insurers and distribution channels within a relatively inexpensive cost range. It is possible that an investment in a company to provide this service would be an effective intervention.

- (FCMH) **Sharing the lessons of others both in the region and outside** is important if done effectively. Translations of documents, trainings, and other materials can help to leverage the lessons learned in microinsurance and leverage the value of donor and other "investments". However, effective dissemination of such lessons and tools is crucial. A system could be developed that helps the appropriate market players receive and implement the information. Simply distributing documents is not enough to result in significant change in the region. Alternative methods also need to be tested and implemented, including: experience exchanges, segmented and focused audience dissemination, case studies, and implementation assessment. This could be an important role for local and regional insurance associations.

10.2.
PRIVATE GOODS

Private goods are those that benefit specific institutions solely and directly. Lessons from such interventions may result in public goods, such as dissemination of lessons learned or the more general catalytic benefits of replication once an intervention appears successful. Also, of course, the intervention should be expected to result in large volumes of clients, improved product value, and more efficient processes. As a country advances along the microinsurance trajectory, private goods funded through public funds become less and less appropriate. When the market is advanced in microinsurance – large volumes of insured, breadth and depth of products on offer, numerous and varied intermediaries and distribution channels – there is limited value in publicly funded private interventions. Public funds should help propel a market, and in advanced markets (the Hybrid group) there is momentum already, and private interventions are likely to have less leveragable impact. Some private goods to fill in the gaps noted above include:

- (CM) **Helping institutions to understand their cost structures** will not only benefit the institutions but will also help institutions offer greater value to clients. Distribution channels in LAC often charge relatively high commission rates and sometimes also charge partnership fees. Insurers identify a need to be profitable with microinsurance and often understand the claims ratio related to products and clients. However, claims ratios are only a piece of the profitability picture. A better understanding of operational costs related to microinsurance is critical in understanding the total cost structure of products. This is important in pricing as well as in requesting commissions (which should be based on costs plus a fair mark-up). Addressing this issue should help to rationalize microinsurance premiums and lead to fact-based decision making.

- (FC) **Institutional structuring for microinsurance** should be developed as there are several institutional structures that are used in microinsurance. Helping institutions address effective structuring can have dramatic impacts in efficiency and focus, helping them to provide better products and attract more clients, efficiently.

- (FC) **Paradigm shift facilitation** would create a solid foundation for microinsurance markets to develop. Institutions that are starting in microinsurance need to recognize the paradigm shift that is required for success in microinsurance. Developing "simple" products, minimizing exclusions, developing efficient processes, pricing effectively, developing marketing programs, working closely with distribution partners, and much more, requires changes within the institution and its staff. Helping institutions through this change commonly requires some level of specific institutional intervention.

Microinsurance interventions should not be permanent interventions. Donors and investors should be careful to take an evolutionary approach to microinsurance. This requires:

- a vision of what will be needed over time within an intervention;
- a plan, in advance, of how and what data / information / lessons will be leveraged to maximize the return on the intervention; and
- an exit strategy.

11
CONCLUSIONS

Currently over 7.6% of the region's total population is covered by microinsurance. This is almost twice that of Africa. In LAC the market is primarily covered with low-value life and personal accident products. There is huge scope, and need, in the region to expand beyond the basic products and increase the volume of people covered. A 7.6% coverage ratio should not lull us into complacency. There remains a great need for improved products, better responses to market needs and demand, and better infrastructure – physical, human resources, legal frameworks, and support structures – to address the risk management needs of the low-income markets in the region, while at the same time expanding market-based opportunities for insurers.

Microinsurance in Latin America and the Caribbean varies across countries in its development and maturity. The sector's growth in the region has been primarily in the absence of donors and regulatory inducements, which has given the region a much different character than that of Africa or Asia. Over the past five years, the region has seen significant maturing of microinsurance, resulting in a positive mix of broader outreach, a greater variety of distribution channels, and in some cases, movement towards products that likely offer greater value to the low-income markets of the region. These positive developments are likely to continue as more and more insurers achieve profitability in working with low-income markets and consider these as integral components of their insurance strategies.

Too many lessons are not being leveraged in the region and in some cases, the departure of a donor leads programs to close.

Shifting the trajectory of microinsurance in LAC will take interventions in a range of areas as shown above. Significant improvements will require some level of intervention in each of these areas, and often the interventions will need to be sequenced for maximum effectiveness. For maximum return on interventions, the credit market-led and mass market-led country types should be the primary focus of interventions. The Frontier countries need assistance, but volumes and value will be slow to come due to their early stage in microinsurance development. It may be better to let some early microinsurance champions begin to develop microinsurance and start to show some commitment before significant interventions are undertaken. Hybrid countries require less intervention but could provide the benefits of lessons and experience to the rest of the region.

Growth will continue for microinsurance in the region. Without key interventions, growth will continue along the same trajectory of basic products and a push to mass markets. Though this is beneficial to the region, much more is needed by the markets of low-income families. The interventions noted here can help to move coverage to 50% or more, with a broader array of needed products that are offered and serviced in an efficient manner and benefit the low-income market as well as distribution channels and insurers.

12

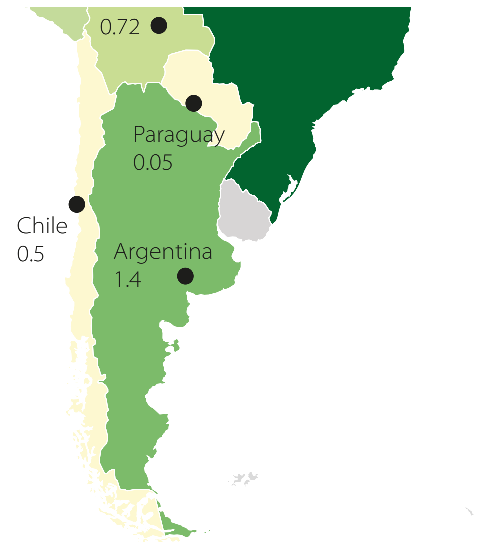
COUNTRY BRIEFS

This section contains a short analysis of the microinsurance market in each country of the study. The microinsurance data presented comes from this study, while other key numbers reflect the most recently available data from the World Development Indicators database. Coverage ratio is defined as total lives covered by microinsurance divided by total population. Also, please note that the numbers for total lives covered by microinsurance listed in the table are not the sum of the subtotals of the coverage by risk types. As the majority of products offer multiple covers, the sum of the subtotals is almost always greater than the total number of insured, eliminating double counting. Aggregate data for each country can be viewed and downloaded on interactive maps at: ***http://www5.iadb.org/mif/default.aspx and http://www.microinsurancecentre.org/landscape-studies.html***.

12.1.
ARGENTINA

FRONTIER

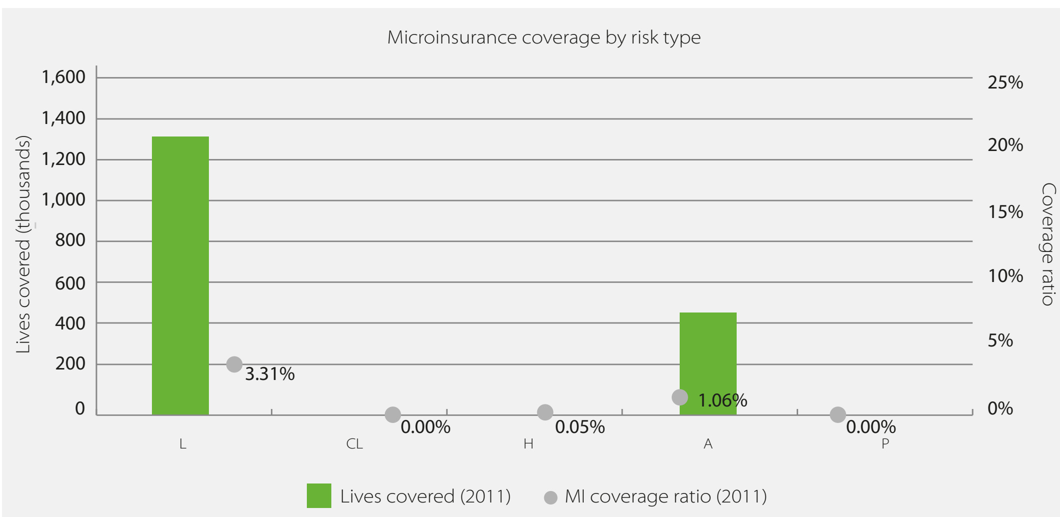
TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	1.356
MI coverage ratio (Total lives covered/total population)	3.36%
Population (2010, millions)	40.4
Low-income po pulation (% at national poverty line)	N/A
GNI per capita (2006 PPP, current international $)	11,730
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	315

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: The market for microinsurance in Argentina is small and underdeveloped. This largely reflects the fact that the country's social protection system has been among the most generous in the region, and even workers in the informal sector have relied on public services and transfer systems for decades. Social services, particularly healthcare, remain reliable and within reach of even the poorest and most rural populations. In addition to public health services, 4 million Argentines receive welfare assistance from the government in the form of monthly cash payouts. This welfare system has been criticized for its relaxed policies. In the formal sector, the government mandates coverage of all employees with a life insurance policy of ARS 12,000 (USD 2,500), paid by employers at the low cost of ARS 24 (USD 5). While the government-mandated insurance does not cover informal sector employees, many informal sector workers are related to at least one formal (often public sector) employee thus benefitting from family covers.

Strengths: Strong cooperative sector

Challenges: Lacking distribution, regulation, reinsurance, and client knowledge, trust, and demand.

There are some insurers offering low-cost insurance products, which are typically tailored for low-income clients in the formal sector, either distributed through employer groups (mandated life insurance products) or in some cases through funeral homes. However, distribution of insurance beyond mandated programs for formal workers is a challenge. MFIs have not been able to aid in distribution as MFIs are estimated to serve only approximately 45,000 clients, and each MFI has a very small number of clients.

Insurers also cited a lack of reinsurance and a lack of specific regulations as other challenges. Obtaining the support of reinsurers has been difficult, further diminishing insurers' interest in entering the micro market. The insurers that were interviewed seemed to be open to the idea of offering microinsurance products if regulation was in place, implying that the latter would help them gain support of reinsurers more easily. In 2011 there was push from insurers and MFIs for regulation, but the Superintendent of Banking and Insurance has not yet developed any regulation that addresses microinsurance issues.

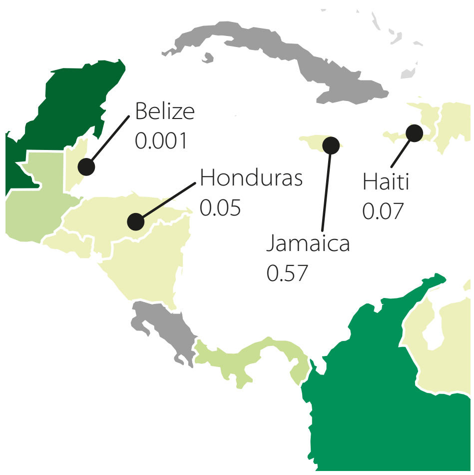
The Future - Gaps and Opportunities: With the Superintendent's increased awareness in 2011 of the industry's interest in creating microinsurance legislation, action may soon be taken, and one less barrier would remain. At the same time, despite regulation and distribution challenges, Argentina has begun to move forward with microinsurance products. There is currently a pilot study being done by PlaNet Finance, Sancor Seguros, and Impulso Argentino, the latter a donation-based economic development agency of the government. The product was designed specifically with Argentina's poorest MFI clients in mind, and is easy to understand, low cost, and without exclusions. The goals are to create an insurance culture among the poor and gain better knowledge of the sociocultural aspects of the potential client base.

12.2.

BELIZE

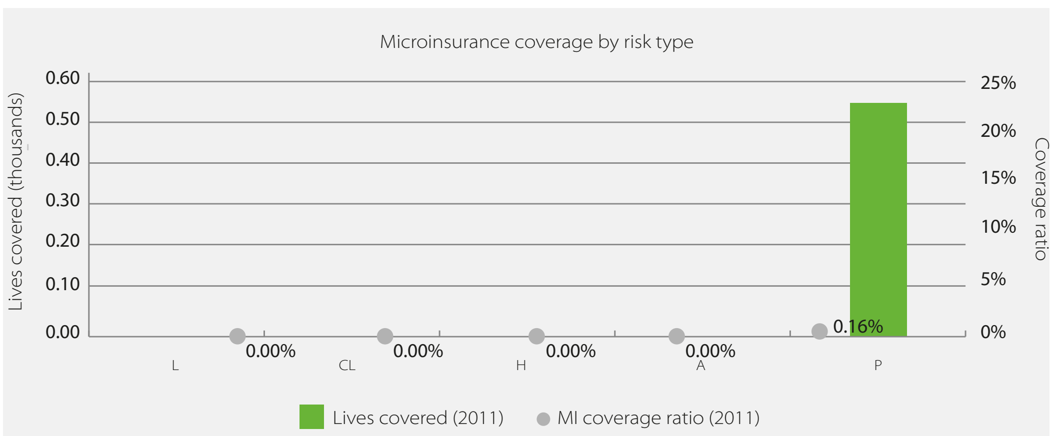
FRONTIER

TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	.001
MI coverage ratio (Total lives covered/total population)	0.16%
Population (2010, millions)	.345
Low-income po pulation (% at national poverty line)	N/A
GNI per capita (2011 PPP, current international $)	6,090
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	166

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Products closely resembling microinsurance existed in the 1960s and 1970s; these products had low premiums and low sums insured and involved door-to-door weekly premium collection by agents. However, they were phased out in the 1980s as the market moved toward larger, more complex products targeted at higher income segments. The closest products to microinsurance today are offered by credit unions, which provide their members with "benefit plans" that resemble insurance, mostly on an informal basis. Most of these premiums are too large to fall within our definition of microinsurance, however. Based on conversations with insurers and other stakeholders, including local IDB staff and the insurance regulator, there is a recognized need to reach the low-income market with insurance, and insurers seem to be interested in developing microinsurance programs.

Strengths: N/A

Challenges: Lack of affordability, lack of client knowledge, trust and demand, lack of design for low-income clients' needs, lack of regulation

Stakeholders generally agree that most available insurance products are far from affordable for low-income segments and that cost is a main obstacle to implementation of successful microinsurance programs. They give a variety of other reasons for the fact that microinsurance has been slow to develop in Belize. According to some, overcoming the lack of awareness and trust of insurance among low-income populations is a key challenge, although others (including the regulator) suggest that this is not a barrier. Still others indicate that the type of coverage is often inappropriate for low-income people. For example, property insurance products currently available in the market do not cater to the types of buildings that low-income people often inhabit: plywood houses are uninsurable and the premium on wooden houses is typically higher than that on concrete houses.

The regulator has suggested that part of the reason microinsurance has been slow to develop is been the absence of microinsurance-specific regulation. In an interview for this study, it was reported that the regulator is currently reviewing the Insurance Act to have it meet the new international standards and to make it easier for both existing commercial insurers and new companies to venture into this line of business.

The Future - Gaps and Opportunities: Stakeholders have demonstrated an interest in providing microinsurance to Belize's low-income population; insurers have and are currently working to develop microinsurance products for credit life, funeral, mortgage indemnity, and index-based property insurance. If even a portion of the weaknesses discussed above are addressed, microinsurance may have a bright future in Belize.

12.3.

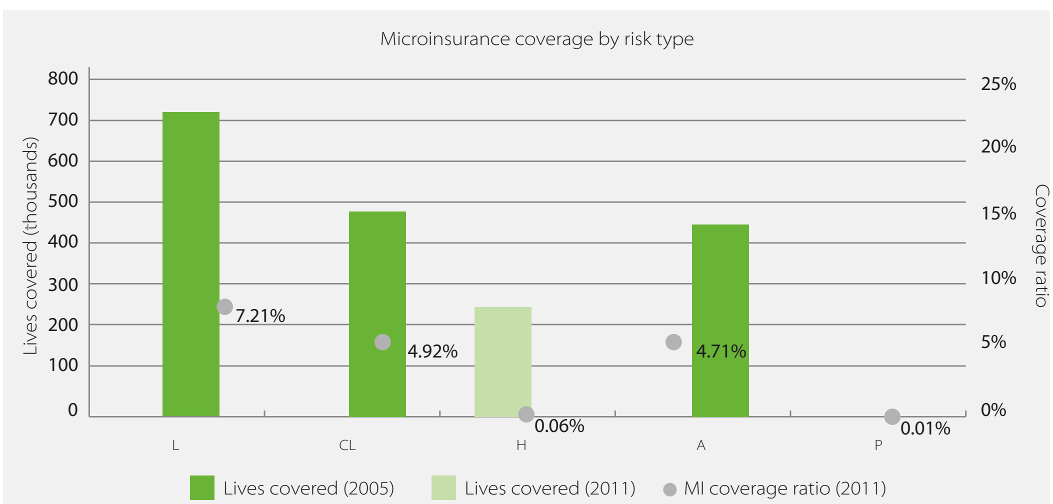
BOLIVIA

CREDIT-LED

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**.718**
MI coverage ratio (Total lives covered/total population)	**7.23%**
Population (2010, millions)	**9.9**
Low-income po pulation (% at national poverty line)	**51%**
GNI per capita (2011 PPP, current international $)	**4,890**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**22**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Microinsurance has a strong history in Bolivia, growing alongside the country's vibrant microfinance market and driven by regulatory requirements related to the credit market and the protection of loan portfolios of financial institutions. As an offshoot to a growing market for mandatory credit life insurance, MFIs were the first to start offering other voluntary products. This innovation led to further development in the market, beginning with the creation of a wide array of products including health, accident, theft, property, and even some agricultural insurance products, which can be seen in the table above. With the help of a donor emphasis on "micro" insurance principles, products also developed to be more flexible with fewer exclusions. Today, the market is one of the most sophisticated in LAC in terms of risks covered as well as simplicity and accessibility. Insurers, brokers, and MFIs compete actively in the market. Client protection has also evolved, as MFIs have become more sophisticated about their clients' needs and rights as consumers. MFI commissions have remained reasonable (between 12-18%) which has allowed for product development and kept prices low for the population.

Strengths: Simple and affordable products, diverse business lines, consumer protection, regulatory support, active brokers in microinsurance

Challenges: Lack of distribution, lack of affordability for complex products, lack of client knowledge

Distribution has seen little innovation and microinsurance continues to be concentrated in the microfinance sector with credit-linked products. Insurers working with the microfinance sector are at a loss for how to explore new channels and they find attractive returns on credit life products.

Although products have been developed for multiple risks, affordability remains an issue. MFIs are focusing on higher-end credit clients as they have proven easier to sell to, and while some cost-cutting efforts have arisen, voluntary coverage for life, property, and health are still hardly accessible to many of the lowest income clients.

The main barrier perceived in the market is the limited demand of low-income groups. The success of one product was attributed to a strong education platform in rural and urban areas. However this strategy is costly and not seen as viable by the more commercially-focused MFIs.

The Future - Gaps and Opportunities: MFIs in Bolivia have a little more than 1 million clients, but the population living below the national poverty line is closer to 6 million people. In order to reach these potential clients, providers must find alternative distribution channels.

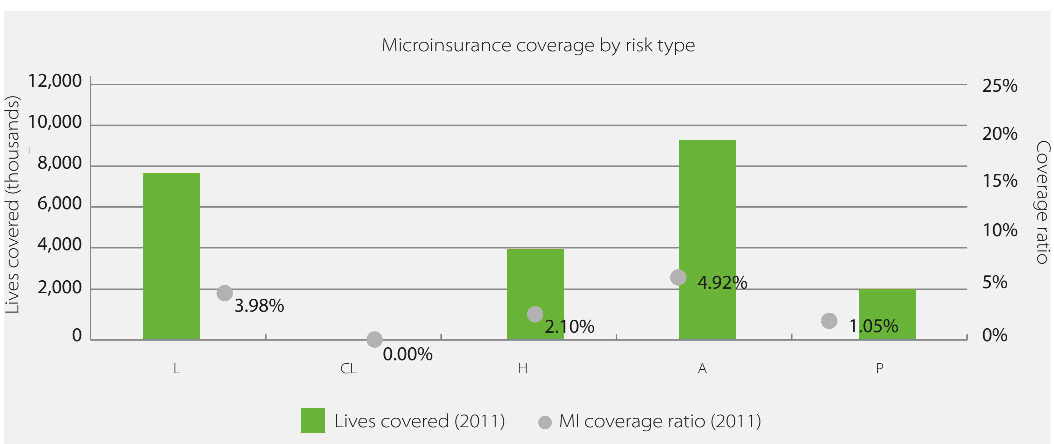
12.4.
BRAZIL

MASS MARKET-LED

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**10.448**
MI coverage ratio (Total lives covered/total population)	**5.36%**
Population (2010, millions)	**194.9**
Low-income po pulation (% at national poverty line, 2009)	**21%**
GNI per capita (2011 PPP, current international $)	**11,420**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**398**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Microinsurance began in Brazil in 2003 and 2004 under the name of popular and mass-market insurance. It is provided mainly by formal and large commercial insurers. Regulators in Brazil recently completed development of “8 Circulares” which regulate all aspects of microinsurance, each addressing a different theme, such as capital and solvency, operations, distribution channels, taxation, capitalization, and use of technology. Brazil’s strong government social protection programs cover many of the basic needs of poor and low-income families. As such, insurance products are meant to be complementary and should not replicate existing services. Regulation of health insurance requires products to offer the same coverage (or better) than the government’s programs, which can make health insurance for low-income clients costly. In response, insurers have included tangible components (pharmacy discounts, lottery tickets, discounts in selected stores, and nutrition or beauty advice through assistance from a call center) in the design of microinsurance to make products more attractive.

Important on-going market research initiatives are informing insurers. Significant R&D is being channeled into understanding the needs and preferences of the lower income "C" and "D" classes. Because of the high returns on this long-term strategy, some insurers are committed to microinsurance and have been investing in in-depth research as well as marketing and education campaigns. Some insurers are evaluating whether they need to create a separate company to operate the products or if they will only need a specialized department. Many other insurers seem to have taken a "wait and see" attitude, hoping to learn more about this market before moving forward.

Recent regulation has proven helpful in general, though in some ways onerous to insurers. Efforts to improve consumer protection across the market have been made and the Consumer Protection Agency may be an example for others.

Strengths: Strong interest from regulators and some insurers, large and growing middle class, supervisor is committed to microinsurance expansion

Challenges: Limited distribution to poorest populations and rural areas, limited client value

Distribution is an important constraint to the microinsurance sector in Brazil. Financial institutions, including insurers, have limited access to the favelas and low-income neighborhoods and have identified the need for sales to take place at the community level. Collecting premiums in these areas is very difficult. Correspondent banking has become quite prevalent and is seen as a potentially interesting mechanism for collecting premiums. The most notable is linked to a still young microfinance program that uses correspondent banking to collect loan payments and has bundled microinsurance premiums into these payments, however given the limited scope of microfinance in Brazil, this is quite limiting in terms of potential for growth. Experiences with door-to-door sales through a broker were no less challenging. Experience with distribution through Banco Postal might prove to offer some lessons for microinsurers. Assessing these experiences and disseminating the lessons could be powerful around the region.

Given the commercial focus of insurers, little effort is made to track product value or social performance, and follow-up with beneficiaries after claims are paid is rare. Consumer protection is becoming an increasingly important part of the discussion around microinsurance; a commission of insurers has been working on consumer protection rules including for microinsurance.

The Future - Gaps and Opportunities: Opportunities include: Strong continued expansion through mass market delivery; improvement in coverage through MFI / banking agencies; facilitation of technologies for premium collection, claims management, and other processes; not losing focus on the low-income market at the benefit of the middle-income market; development of innovative market responsive products; expansion to the rural areas through improved correspondent systems as well as technology; and enhancing linkages to strong government programs and others that reach currently un-served areas.

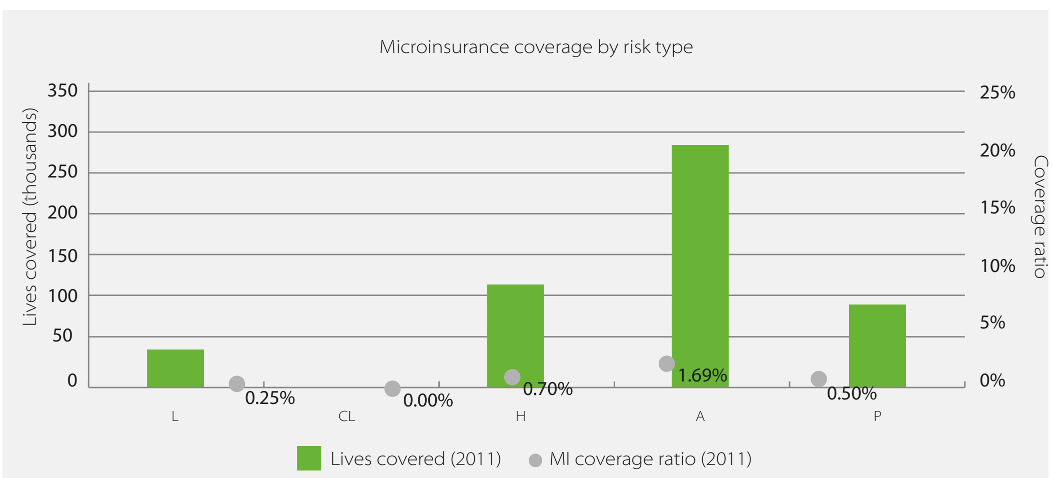
12.5.
CHILE

MASS MARKET-LED

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**.496**
MI coverage ratio (Total lives covered/total population)	**2.90%**
Population (2010, millions)	**17.1**
Low-income po pulation (% at national poverty line, 2009)	**15%**
GNI per capita (2011 PPP, current international $)	**16,300**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**560**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Chile has one of the most mature financial industries in LAC. However, microinsurance in Chile is limited. Mass-market insurance has been offered for some time, primarily through retail stores, such as department stores and supermarkets, which boast the highest supermarket penetration levels in the region at 70%. While these channels do reach low-income clients, mass-market products are not necessarily adapted for the low-income market. A lack of consumer protection is also evident from a scandal in mid-2011 in which one of Chile's largest supermarkets refinanced thousands of credit card clients' loans without their consent.

Strengths: Strong financial sector, large distribution network

Challenges: Regulation (highly regulated insurer and unregulated distribution channels), lack of alternative distribution networks, lack of client protection, lack of insurer knowledge

Regulation constrains the development of simple products for low-income clients by requiring detailed and lengthy policies documents, frequently with extensive lists of exclusions, and long waiting periods. In contrast, distribution channels are left unregulated, and misselling, lack of transparency, and misinformation are common with insurance transactions in some retail companies. The lack of transparency and protection on the part of the distribution channel makes it difficult to build trust in insurance companies and their products.

While insurers recognize they are limited by regulatory rigidity and distribution and payments channels, clear alternative channels are not available. The microfinance sector in Chile is largely dominated by a small number of banks and led by one large state-owned bank. Smaller microfinance institutions are comparatively financially unsophisticated, offering only one or two credit products and excluded by regulatory authorities from offering savings. As such, their processes, sales capacity, and systems are not well developed and would be strained to offer new products, including insurance. Cooperatives are also relatively small and concentrated in rural areas.

The Future - Gaps and Opportunities: The government has begun to move forward with microinsurance, spurring the interest of some commercial insurers. Through a donor grant, the government disseminated a study on the potential of microinsurance in Chile and is now working on a subsidized product. Insurers have followed suit, conducting their own demand studies to better understand clients' needs. In some cases the government has stepped in to aid distribution, developing partnerships with the commercial sector, the most notable example being an agricultural product. Further work with the government to strategize its approach to microinsurance would be helpful.

While this movement is positive, it is important to address the regulatory and distribution channel issues to achieve an efficient microinsurance market that includes analysis of market education efforts as well as client protection initiatives.

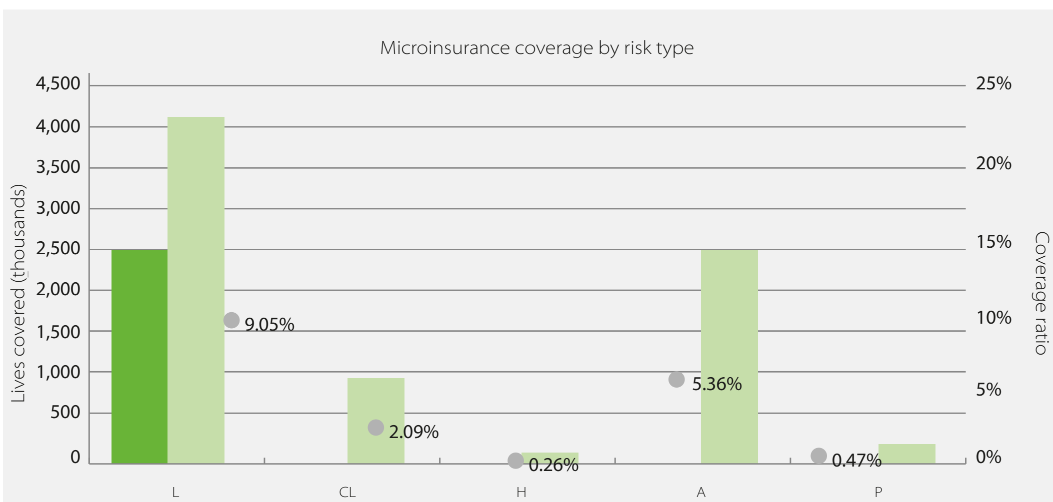
12.6.
COLOMBIA

HYBRID

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**7.977**
MI coverage ratio (Total lives covered/total population)	**17.23%**
Population (2010, millions)	**46.3**
Low-income po pulation (% at national poverty line, 2009)	**34%**
GNI per capita (2011 PPP, current international $)	**9,560**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**162**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Microinsurance has a strong and lengthy history in Colombia, beginning with commercial insurers and cooperatives in the 1970s. These products were designed for low-income people from the start, and were typically aimed at filling the gaps in public social protection. Today's microinsurance market is vibrant, commercially sustainable, and even profitable, with 25 insurers reporting microinsurance activities to FASECOLDA, the industry association. FASECOLDA has provided immense benefits to insurers through its microinsurance market education programs and their strong assessment of these programs, as well as it capacity building activities, data collection, and representational role. FASECOLDA is truly an example for the rest of the region, and indeed for the regional insurance association, FIDES, also.

Insurers have been creative in developing products for microentrepreneurs and other low-income customers, primarily through their affinity or mass-market areas. These groups have begun to explore distribution through remittances, lottery tickets, and cell phones, as well as directly through door-to-door sales. This is primarily in response to the growing costs of other channels such as microfinance institutions and public utilities. Customer service is also strong in Colombia due to the competitive market. However, the commercial and highly competitive nature of this market has created tension between profitability for providers and their distribution channels, and value for clients.

Strengths: Competitive, profitable, and creative alternative distribution channels

Challenges: Limited high-value products and high-value innovation, lack of client knowledge, very high distribution costs

While there is still room to expand the market in Colombia, much of the low-hanging fruit has been taken. The two major distribution channels, financial institutions (banks, MFIs, and coops) and public utility companies (primarily electric and gas), are nearly tapped out. Most large and middle-sized MFIs now offer at least one insurance product (credit life) and often two or more insurance products. MFIs are also a costly channel because they often charge high commissions of 30-50% and require brokers which add another 10%. These high commissions erode value and increase the price for clients.

The competitive and profit-oriented insurers also limit value for clients. Various commercial insurers reported that new products had to be profitable in year one, regardless of social value, causing companies to avoid products that may risk high claims and limiting investment and innovation. Most products in Colombia are simple life and accidents covers, and with the current strategies, providing higher-value products such as health and property will be a major challenge.

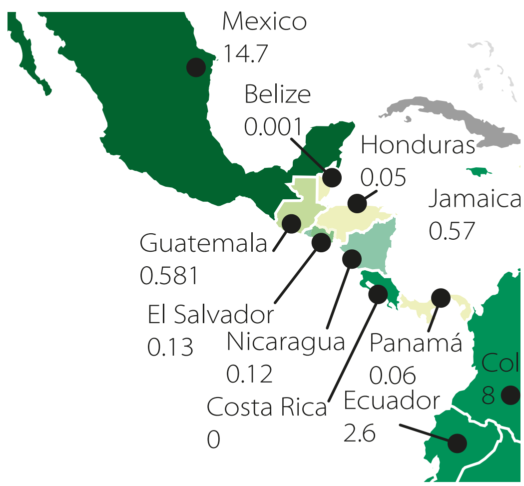
The Future - Gaps and Opportunities: Client education may increase demand, and the insurance industry has funded a joint financial education campaign through FASECOLDA. However, education without increasing the value and affordability of products will yield limited results. Providers and distribution channels need to shift their focus from short-term profitability to long-term profitability, increased market share, and customer loyalty, among other things. Insurers should leverage existing infrastructure such as call centers to develop greater distribution particularly in rural areas (though this is made more difficult through new call center regulations), and agriculture insurance remains an important opportunity. Instead, most creativity has focused on getting cheap, low-value products to clients through supermarkets, cell phones, or lottery tickets. There is still much scope for improved client value including through added "asistencias" such as in Mexico and Brazil.

12.7.

COSTA RICA

FRONTIER

TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	0
MI coverage ratio (Total lives covered/total population)	0%
Population (2010, millions)	4.726
Low-income po pulation (% at national poverty line, 2009)	25%
GNI per capita (2011 PPP, current international $)	11,860
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	172

Status of Microinsurance: The insurance industry in Costa Rica was a state-controlled monopoly for more than 80 years until 2008. The first private insurers received authorization to begin sales in 2010. However, the coverage ratio for general insurance remains extremely low, and most policies are still through the state-run company. No microinsurance was identified in Costa Rica, which is in part a result of the immature general insurance industry and in part because of the strong public assistance programs for the low-income population.

Strengths: N/A

Challenges: Lack of client knowledge and demand, lack of distribution channels, lack of insurer motivation or capacity for microinsurance

In Costa Rica social services have traditionally been very efficient and have reliable coverage, so creating a culture of insurance among Costa Ricans is particularly challenging. Not only will microinsurance need to meet a demand not addressed by social programs but clients will also need to learn about insurance, as only a small percentage of the population has had exposure to it. Microinsurance offered through private insurers will also have to work to overcome the established "brand" of the state-run company.

As insurers begin to develop products, they will need to be creative in determining what distribution channels to use given that MFIs are small in Costa Rica, reaching only 25,000 clients.

The Future - Gaps and Opportunities: Although the insurance industry in Costa Rica is relatively immature, providers have shown an interest in experimenting with microinsurance. Costa Rica's MFI network is looking to partner with a private insurer and broker, and a pilot project is in progress. The microinsurance market may benefit from leveraging government programs or regional initiatives such as REDCAMIF's regional microinsurance program. Niche markets such as microentrepreneurs and Nicaraguan immigrants in Costa Rica may also be attractive to the young market.

12.8.

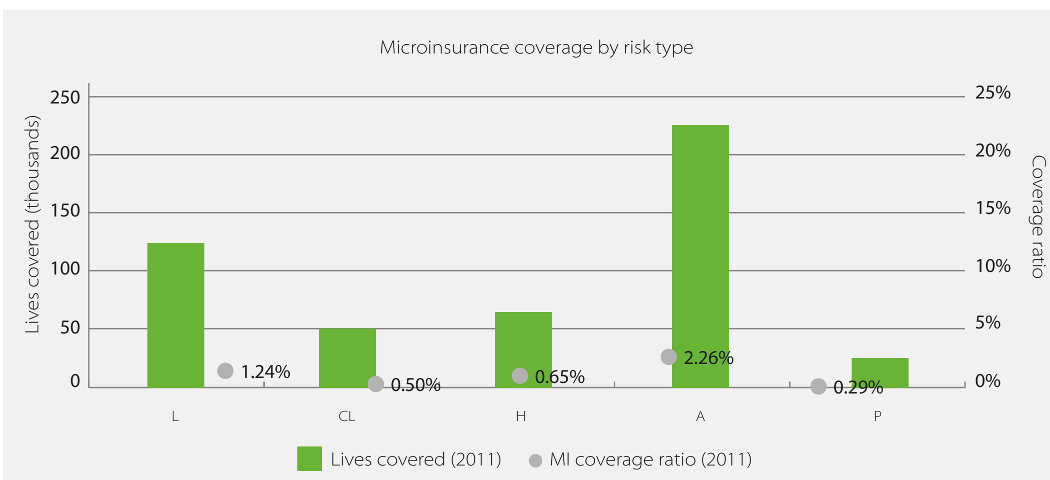
DOMINICAN REPUBLIC

CREDIT-LED

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	.254
MI coverage ratio (Total lives covered/total population)	2.56%
Population (2010, millions)	9.9
Low-income po pulation (% at national poverty line, 2009)	40%
GNI per capita (2011 PPP, current international $)	9,420
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	74

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Microfinance has been present in the Dominican Republic for over 30 years, currently serving around 376,000 clients. Similarly, microinsurance products have been offered to the low-income market for nearly 15 years, though with sporadic development of products characterized as largely supply driven. MFIs first offered coverage of their loan portfolios by self-insuring, but in 2007 regulation passed which disallowed MFIs and banks from carrying risk. As a result, some MFIs have partnered with insurers and some have elected to work with brokers, as they did not have enough knowledge or confidence to work directly with insurers. Cooperatives also offer microinsurance products due to demand from members, but to date, only a fraction of cooperatives have decided to purchase the insurance products for their members. Cooperatives could reach a potential 1.2 million clients.

Strengths: Potential distribution channels

Challenges: Lack of client knowledge and demand, lack of insurer knowledge, lack of distribution channel capacity

Educating clients will help to increase demand for valuable insurance products and will help insurers feel more comfortable about offering products to those at the bottom of the pyramid. Insurers noted that low-income clients do not understand insurance well enough to know the difference between proper use and abuse, and concerns about customer fraud are commonplace. Insurers also expressed that there is a lack of actuarial data and information available, which limits their ability to design and price new products, especially because insurers are keenly aware of the risk of adverse selection.

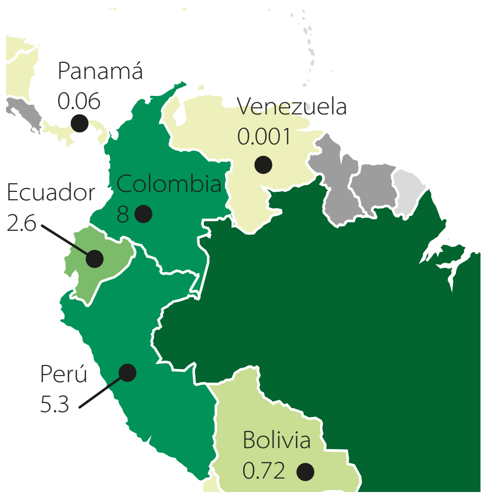
Another major challenge is the capacity of distribution channels, particularly MFIs, to offer microinsurance. Partnerships between insurers and MFIs to develop and/or offer new products are difficult because there is a great deal of mistrust, and MFIs tend to have a slow decision-making process. Insurers find that MFIs often do not want to invest in technology infrastructure or product development because of lack of insurance market knowledge; even when the insurer is willing to make the investment, they still struggle to overcome the mistrust. Because of these challenges, MFI-insurer relationships have not proliferated in the Dominican Republic as they have in other countries.

The Future - Gaps and Opportunities: The most promising development in the microinsurance market is that the county's largest, oldest, and most respected private commercial insurer is showing serious interest in microinsurance. They have invested in dedicating a staff to product development, and this could be a game changer, especially for MFIs which have been reluctant to partner with insurers due to mistrust. However, the insurer is still trying to identify the best way to reach clients, design products with the minimal actuarial data, and process claims efficiently. In addition to the limited actuarial data, the need to educate both clients and distribution channels remains a barrier to entry.

12.9.
ECUADOR

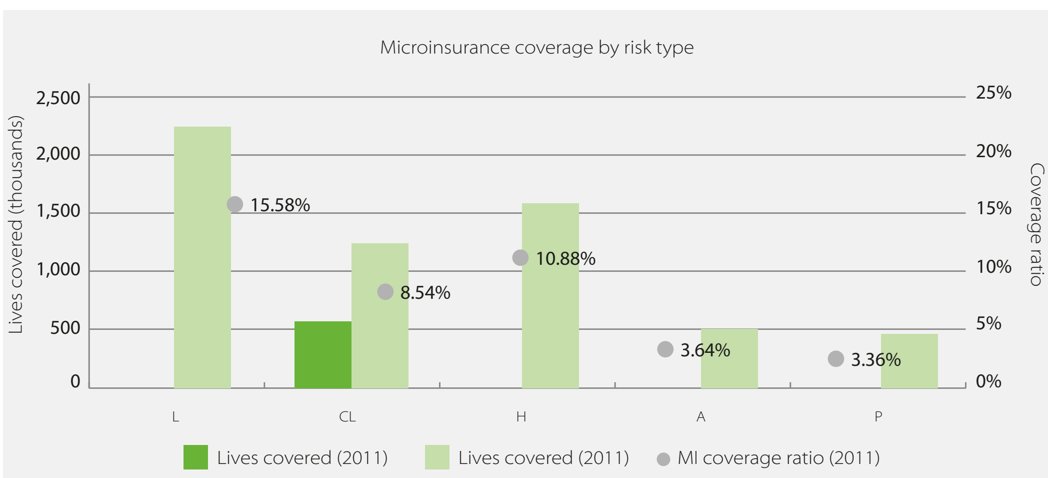
CREDIT-LED

TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**2.637**
MI coverage ratio (Total lives covered/total population)	**18.23%**
Population (2010, millions)	**14.5**
Low-income po pulation (% at national poverty line, 2009)	**29%**
GNI per capita (2011 PPP, current international $)	**8,510**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**91**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Microinsurance in Ecuador has been largely driven by the development and growth of the microfinance industry, which has been present in Ecuador for decades. MFIs have a robust presence in urban areas and have helped build a strong culture of banking and financial services in low-income communities. Most products offered are relatively simple life and credit life products. Over 1.5 million of the lives covered for primary health care in Ecuador are the result of one particular mandatory, bundled product offered through MFIs, which was noted as having rather low claims rates. The government has a strong emphasis on poverty reduction and promotion of social inclusion, equality, and justice, and in addition to providing social services is actively promoting and subsidizing some microinsurance. This offers an important opportunity to integrate microinsurance with these government programs.

Intervention is also not uncommon in the market. Ecuador's MFI network has mandated a maximum commission of 20%, and new regulation is underway that will require all loans made by MFIs to include credit life insurance and require that all other insurance products be voluntary.

Strengths: Large outreach, MFIs containing commissions

Challenges: Regulatory issues, improved products, rural outreach, excessive commissions

Regulatory hurdles hamper new product development, particularly slowing new product approval. Insurers suggest that formal regulation to speed up the approval process would help facilitate the creation of new products. New regulation is being developed; however, it appears to be focused on increased reserve requirements and not on streamlining the approval processes.

Currently, distribution is mainly through MFIs, which have little reach in rural areas, even though this market is extremely important given agriculture's role in Ecuador's economy. New channels must be used to reach this market, especially with more complex products, but brokers, cooperatives, and non-network MFIs have not capped commissions, thus limiting the value of products offered and their affordability.

In addition to regulatory constraints and the constraint of exorbitant commissions, there is some resistance to offering more diverse coverage because of providers' concerns that clients do not want nor need anything other than credit life. Many insurers and MFIs point to the need for educational campaigns to increase demand; however, this overlooks the need to improve the products currently offered. Although there are many players in the industry, they seem to be targeting the same clientele with seemingly identical products.

The Future - Gaps and Opportunities: Agriculture and crop insurance is a product area for which there is significant interest and which enjoys a large potential client base due to the importance of farming to Ecuador's economy. The government is working with one insurer to promote a crop insurance that is in its first stages, and is currently funding the project through providing a 60% subsidy to keep the client's costs low. Despite the promise this pilot project provides, other insurers are not interested in collaborating to receive government assistance and do not believe crop insurance can be a sustainable product in the long term.

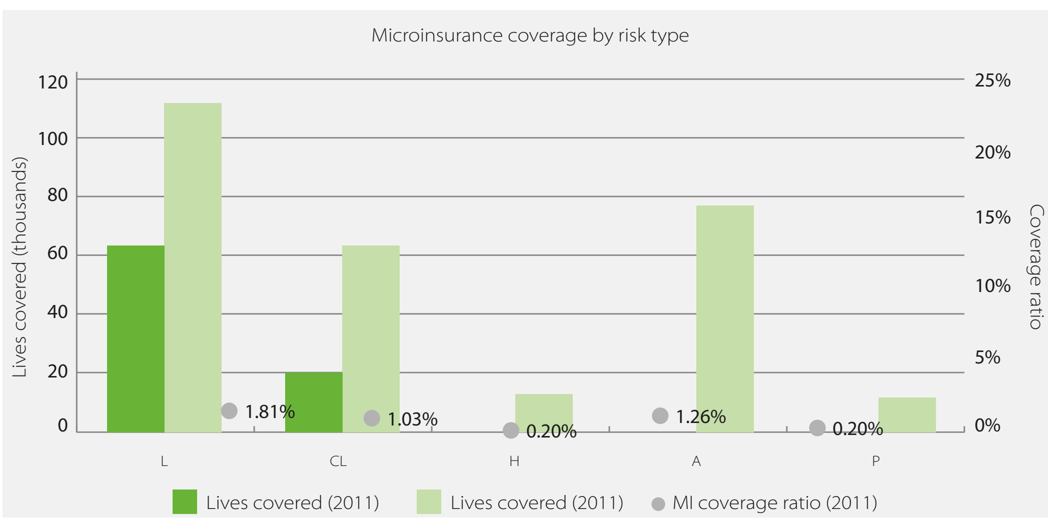
12.10.
EL SALVADOR

CREDIT-LED

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**.129**
MI coverage ratio (Total lives covered/total population)	**2.09%**
Population (2010, millions)	**6.2**
Low-income po pulation (% at national poverty line, 2009)	**43%**
GNI per capita (2011 PPP, current international $)	**6,640**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**66**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: To date, microinsurance in El Salvador has concentrated on credit life through MFIs. The credit life insurance market is very competitive in the country. MFIs' client volume, growth, and access to low-income populations are highly attractive to insurers and as a result, even insurance companies that do not typically serve low-end markets eagerly tailor existing group life policies for MFIs, often through brokers. Some insurers complained that MFIs have exploited this situation by demanding commissions of up to 50%, raising average premiums to the final client. Insurance for general health as well as large medical expenses is an emerging niche and is quickly becoming a competitive differentiator for many MFIs. Most other mass products, such as those linked to a pharmacy discount card, are viewed as low value; sums insured are usually low compared to the premium paid. Many users buy the cards just for the discounts and are not even aware of the insurance component, thus claims ratios are very low.

There is no specific regulatory framework for microinsurance, thus some current products are sold under the mass commercialization framework, which requires that non-traditional channels undergo a certification process together with their insurer on a product-by-product basis. This lengthy and expensive process has impeded all but the largest MFIs and pharmacies from moving beyond credit life. Salvadoran law also prohibits businesses from making insurance "obligatory" unless they have an "insurable interest". Thus while credit life can be obligatory, most other products are "automatically" but not "necessarily" included with loans or savings accounts.

Strengths: Strong financial institutions and interest in microinsurance

Challenges: Lack of client knowledge and demand, lack of insurer knowledge, lack of high-value products, consumer protection, excessive commissions

All insurers and MFIs interviewed cited a "lack of insurance culture" in El Salvador as a major challenge to expanding the market. This significantly raises sales and administrative costs of serving the low-income population.

Salvadoran insurers have not been willing to invest sufficiently in research and development for products that may only yield profits in the long term. Most efforts to date have been on a trial-and-error basis, and more opportunistic than strategic. This limits the value to clients as well as potential growth.

The Future - Gaps and Opportunities: As long as microinsurance is heavily regulated by the mass commercialization framework, progress will continue apace with the current rapid growth of both microfinance and cooperative financial sectors. As these institutions innovate to meet their clients' needs and build demand for new products, insurers may begin to feel the pressure and perceive attractive opportunities to move beyond credit life, though innovation may continue to concentrate amongst larger MFIs at the expense of small ones. Given the popularity of health and medical expense insurance, the challenge is ensuring access to covered services in rural corners of the country. Property and small farm microinsurance remain practically unexplored.

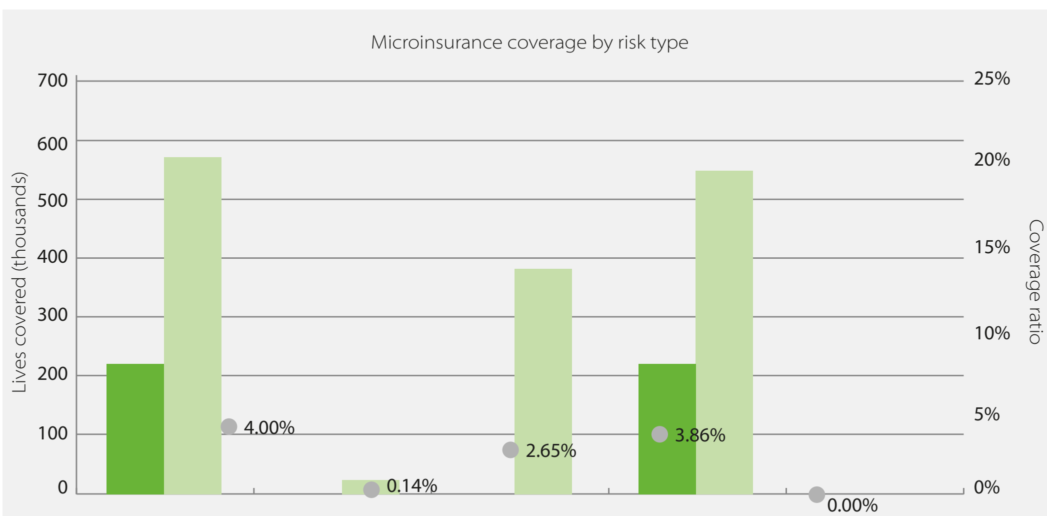
12.11.
GUATEMALA

CREDIT-LED

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**0.576**
MI coverage ratio (Total lives covered/total population)	**4.0%**
Population (2010, millions)	**14.4**
Low-income po pulation (% at national poverty line, 2009)	**54%**
GNI per capita (2011 PPP, current international $)	**4,760**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**38**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: With a population of 14 million people, of which half live below the national poverty line, there is a large potential market for microinsurance. To date, however, very little microinsurance has been offered. The market is currently dominated by a private insurer and an insurer affiliated with the national federation of credit unions, whose respective networks give them the deepest reach outside the capital; the social mission of both institutions led them to invest in microinsurance. Most products on the market are life and/or personal accident policies, some with a hospital cash component.

Currently there is no specific microinsurance legislation, and some insurers are nervous about offering microinsurance products within the existing rules for fear of attracting unwanted scrutiny. While the current law includes a framework for mass products, this requires a lengthy licensing process of the channel, which discourages many MFIs and non-traditional channels from participating. In light of this gap, the regulator has been emphasizing microinsurance in recent statements and is evaluating a special regulatory framework that defines the characteristics of "microinsurance" and makes it easier to issue policies.

Strengths: Strong market leaders, market and regulatory momentum building

Challenges: Lack of client knowledge, limited insurer knowledge, limited distribution, ambiguous rules.

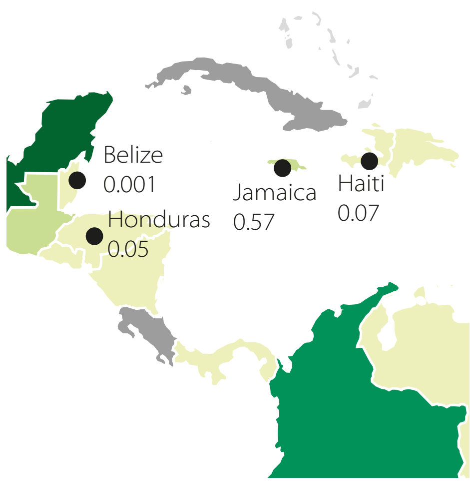
As in many other countries, Guatemalan insurers cite a "lack of insurance culture" among the population as a major challenge. Financial education and popular marketing will be needed to raise low-income Guatemalans' awareness about insurance; insurers perceive this lack of awareness as the root of high cancelations and low renewals. Insurers and distribution channels will also need to improve their product offerings with more efficient administration and tangible products that respond to the low-income market's needs. Having the support of a channel that can promise volume and growth is also essential. The fact that Guatemala has only one licensed actuary also slows the pace of product development.

The Future - Gaps and Opportunities: While Guatemala's microinsurance market has been limited until now, the market appears poised for a rapid expansion. Insurers have identified significant potential in personal microinsurance, especially health or medical expense insurance, and several new products are currently being developed. Attracted by the pioneering experience of the market leaders, several private insurers are now also investing in market studies and new alliances to offer microinsurance in the near future. Add to this a promised special regulatory framework, and the Guatemalan landscape will certainly look very different in just a few years' time.

12.12.
HAITI

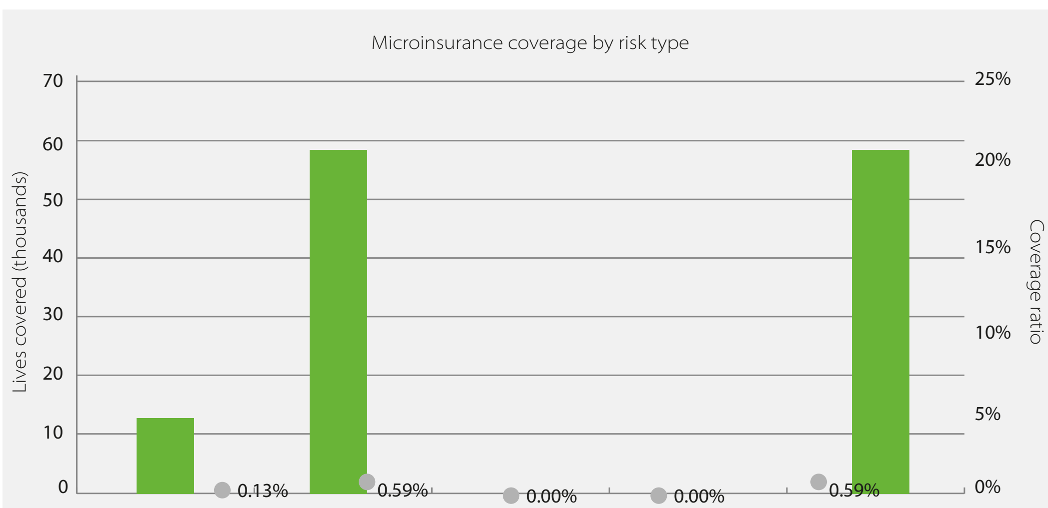
CREDIT-LED

TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	.072
MI coverage ratio (Total lives covered/total population)	0.72%
Population (2010, millions)	10.0
Low-income po pulation (% at national poverty line, 2009)	N/A
GNI per capita (2011 PPP, current international $)	1,180
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**3.70**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Driven largely by efforts of donor and public investor institutions, microinsurance has begun to grow in the past three years through MFIs. As of now, the only products designed were done so as a result of a strategic alliance between the country's largest MFI and a key insurer. The microinsurance market is still fairly new in Haiti, and few other insurers have shown an interest in participating in the market. Microinsurance coverage in Haiti remains very low. New product development has been pushed by MFIs and donor agencies out of concern for client vulnerability rather than market forces, and as such, will likely grow at a slow pace.

Strengths: Experimentation, large untapped market

Challenges: Limited insurer knowledge, limited client knowledge, few distribution channels, regulatory constraints, frequent natural disasters

On the supply side, the principal challenge in Haiti is the lack of information that enables insurers to effectively design products. Local insurers have also shown limited interest in the low-income market, with concerns about the high cost and low profitability of servicing it. Currently insurers only play an underwriting role, which limits growth opportunities because most MFIs will not be able to manage all other aspects of a product. Scaling growth to incorporate more insurers and clients that are not associated with MFIs is a challenge, as MFIs only reach about 1% of the country's population. Even with a growing 1% of the population as MFI clients, an important intervention would be to build the capacity of the MFIs to improve their ability to effectively deliver microinsurance. Additionally, the cooperative sector is strong in Haiti, and this may prove another area worthy of capacity building-focus to enhance its potential microinsurance activities.

On the demand side, extremely low incomes and a lack of insurance understanding among the poor has limited the demand for microinsurance. Short term efforts will likely focus on building an insurance culture through gradually introducing simple products along with careful client education.

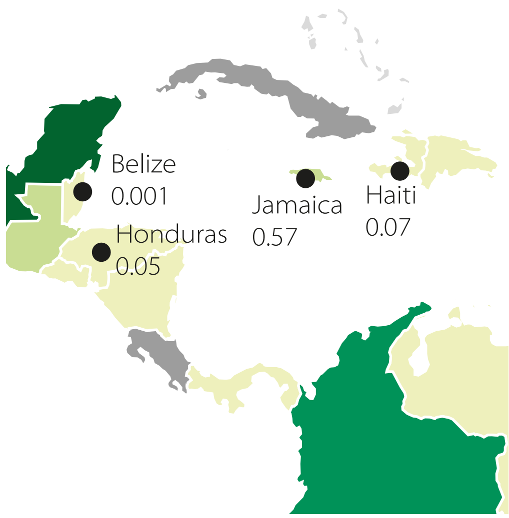
Insurers in Haiti, with no specific microinsurance regulation, face several policy challenges. With current insurance legislation, for example, insurance adjusters must review damaged property before paying claims, leaving insurers with limited ability to pay claims quickly. Additionally, fiscal policy requires that taxes are charged on the sale of microinsurance products, thus increasing the cost of microinsurance and reducing the potential value of products to the low-income market.

The Future - Gaps and Opportunities: Future support of the industry should address the main constraints of limited capacity and interest on the part of insurers, as well as regulatory barriers and demand factors. To date, donor efforts have focused on the distribution of microinsurance products and worked with off-shore insurers and partners. Limited attention has been paid to working with local insurers to increase their interest and motivate them to create products for the poor and to building their capacity to service products efficiently. Special attention needs to be paid in creating strategic partnerships, systems, and products that are sustainable and can be delivered over time without donor support. Given the limited expertise, some capacity building support would be needed both at the insurer level and at the regulatory level to encourage the development of low-cost products with flexible processes, including those for claims management.

12.13.
HONDURAS

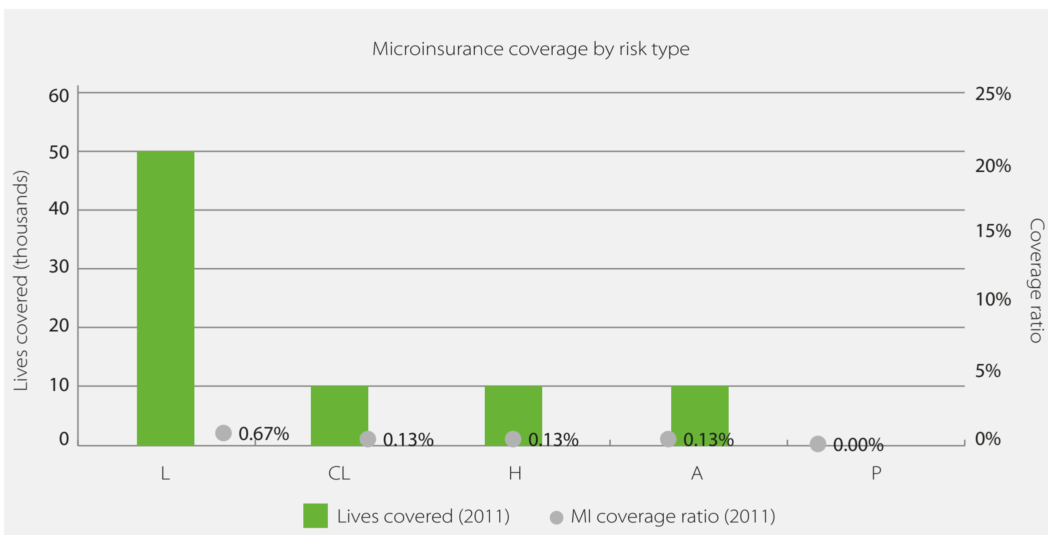
CREDIT-LED

TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	.051
MI coverage ratio (Total lives covered/total population)	.67%
Population (2010, millions)	7.6
Low-income po pulation (% at national poverty line, 2009)	66%
GNI per capita (2011 PPP, current international $)	3,820
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	33

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Microinsurance is extremely limited in Honduras even though cooperatives and MFIs are prevalent in the country. Although cooperatives would be ideal providers, with a long history in Honduras and a strong network of over 650,000 members, the only insurance product offered has failed to generate sufficient interest. MFIs are numerous but have not reached the bottom of the pyramid nor established a significant presence, with fewer than 200,000 total clients. Outside of a small amount of credit life products, microinsurance is not commonplace in MFIs.

The insurance association has begun to investigate potential demand for microinsurance products, but the research is not being disseminated to the insurers. If insurers continue to not experience demand from clients, and no case studies and personal experiences are shared, it will be difficult to expect insurers to enter this market with significant enthusiasm.

Strengths: Insurance association involvement.

Challenges: Lack of client knowledge and demand, lack of insurer knowledge, lack of distribution channels, regulatory constraints.

Clients' lack of insurance culture, combined with lack of interest from insurers, limits the microinsurance market in Honduras. In addition to the lack of knowledge with respect to customer demand and market opportunities, lack of distribution channels and regulation are the principal barriers to entry in the Honduran market. While there are many more cooperatives within the network that can potentially opt-in to offer insurance in the future, outside of the network growth will be more difficult. It will also be difficult to use alternative distribution channels with the current (2003) insurance legislation. The regulation mandates that all policy holders are given a copy of both their policy certificate and a full explanation of benefits, conditions, and exclusions at the time of issuance, increasing distribution costs and adding difficulties to finding channels equipped to meet the rigid requirements.

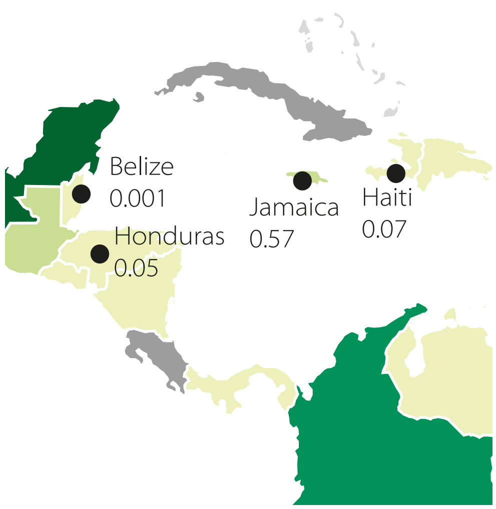
The Future - Gaps and Opportunities: The MFI network is participating in REDCAMIF's regional effort to develop a microinsurance product to be launched within the near future. It plans to begin with one or two pilot MFIs per country and build gradually. Even if successful, given the already limited scope of MFIs in the country, many of the poor will not be reached, as MFIs will not be sufficient for large scale distribution in Honduras.

In 2011, a cell phone company launched a product for sending domestic remittances within Honduras, with the long-term goal of offering complementary financial services and products. However, using mobile banking as a distribution channel will be impossible unless the insurance regulations can be revised to reduce administrative requirements.

12.14.
JAMAICA

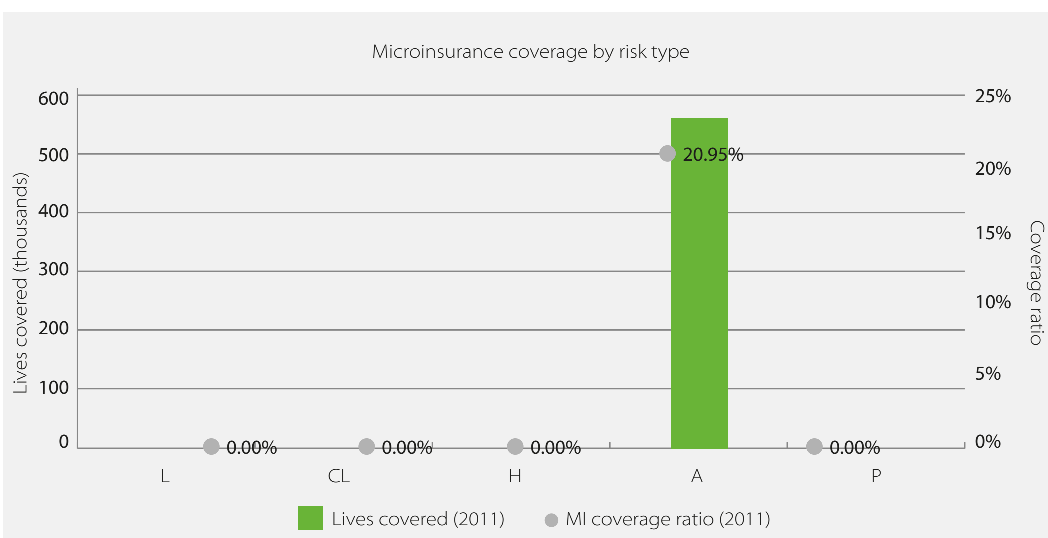
FRONTIER

TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**.566**
MI coverage ratio (Total lives covered/total population)	**20.95%**
Population (2010, millions)	**2.7**
Low-income po pulation (% at national poverty line, 2009)	**18%**
GNI per capita (2011 PPP, current international $)	**7,770**[47]
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**250**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Products resembling microinsurance seem to have existed for several decades in Jamaica. These were employer-based products with low premiums and limited coverage. Informal-sector lending, with an outreach of just over 30,000 clients, has not scaled up in Jamaica as it has in other countries. The high cost of lending to the rural sector and the relatively limited development of the microenterprise sector are large barriers in microfinance that translate into barriers for delivering microinsurance in Jamaica.

There is strong interest from several commercial insurers in the country to tap into the low-income market with microinsurance programs, and there are even some significant efforts underway in Jamaica to develop and promote microinsurance. There is currently one microinsurance mass market microinsurance product which is mandatory for bill payers and provides a simple accident cover.

A large percentage of independent workers in Jamaica are concentrated in agricultural and fishery sectors and could benefit from more complex and valuable microinsurance products. The Climate Risk Adaptation and Insurance in the Caribbean Programme40 is working to develop index-based weather microinsurance products that would help to meet this need; there are plans to launch a pilot project in Jamaica. Initial efforts involve compiling basic information on the market to better understand insurers' interests and plans and facilitating several workshops aimed at bringing together insurers, potential distribution channels, and academics.

Microinsurance is not currently recognized as different from traditional insurance by Jamaica's regulations. Insurers noted that this regulation typically favors insurance distribution to higher income segments.

Strengths: History of low-income insurance, current efforts by national insurers, regional programs.

Challenges: Lack of distribution channels, lack of client knowledge, lack of insurer knowledge.

Microfinance in Jamaica is limited in size and may provide a place to start experimenting with microinsurance, but growth will be greatly constrained if other distribution channels are not identified and developed. In addition, the microfinance sector has struggled to reach rural areas and the microenterprise sector, and this may foretell particular challenges for microinsurance.

Also, given the early phase of microinsurance in Jamaica, financial education may be a valuable starting point to prepare future clients. Market research will be valuable to insurers so that they can develop products that will be responsive to this new area of the market with which they have little experience.

The Future - Gaps and Opportunities: An Access to Insurance Initiative diagnostic is about to commence in Jamaica for the IDB/MIF. This should facilitate a more clear understanding of the status and needs of the market.

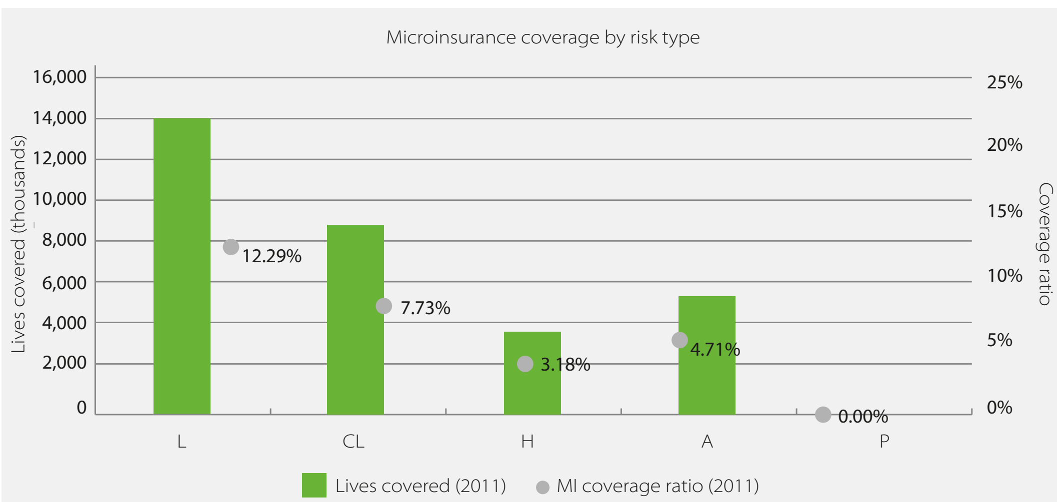
12.15.
MEXICO

HYBRID

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**14.731**
MI coverage ratio (Total lives covered/total population)	**12.99%**
Population (2010, millions)	**113.4**
Low-income po pulation (% at national poverty line, 2009)	**51%**
GNI per capita (2011 PPP, current international $)	**16,720**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**194**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Mexico's microinsurance market is among the more advanced in Latin America, although unfavorable legislation has limited its growth until now. Microinsurance development in Mexico was largely promoted by the rapid expansion of the microcredit market. Still, large portions of the market remain to be reached, and innovative health and property coverage as well as alternative channels are just beginning to emerge.

There is specific regulation in Mexico, and to qualify officially as microinsurance, the regulatory commission (CNSF) rules impose a limit on the maximum premiums and sums insured. Insurers are pushing for modification of the law to expand the definition of microinsurance as well as the limits and conditions necessary to offer it. Insurers believe these changes will enable an expansion of more innovative life and property products.

Strengths: Large market, MI-focused intermediaries, engagement of regulator, the existence of untapped distribution networks, the existence of the consumer protection agency (CONDESEF), the extensive role of microinsurance–specific and general brokers in microinsurance.

Challenges: "Micro"- and mass-market differentiation, regulatory constraints, lack of client knowledge.

Given the size of the potential target population and the difficulty of reaching especially the rural sector, Mexican insurers have focused extensively on mass commercialization. In addition to MFIs, insurers market products through utility companies as well as the large government cash transfer program and organizations working with the migrant community. Using such alternative channels greatly boosts microinsurance sales, but also blurs the lines between mass insurance and microinsurance. Access to insurance through most MFIs is contingent upon taking a loan even if coverage is voluntary. One proposed way to overcome the trade-off between passivity (and low capacity for customer education) of mass channels versus the limited reach of MFIs would be the regulator's acceptance of “promoters” as insurance sellers if certified by a licensed insurance agent. As an example, some insurers are already using door-to-door cosmetic salespeople as promoters for insurance products.

Financial education was noted as important though challenging. In one example, a credit union network has pioneered financial education efforts for microinsurance in remote areas and indigenous communities, but there have been high operational and distribution costs. Several other programs in Mexico include market education as an important component including: Red de la Gente, Bansefi, AMIS, and CONDUSEF. What will be critically important is assessing the effect of these programs, as well as coordination between the various parties to improve the overall efficiency of these programs.

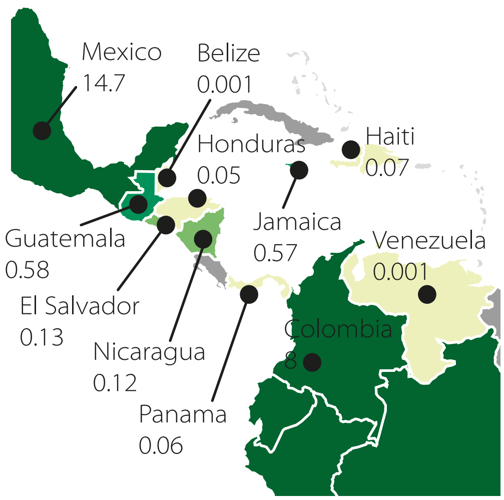
The Future - Gaps and Opportunities: Microinsurance products have evolved over time, from obligatory credit life for microcredit borrowers only, to voluntary credit life and life insurance for various family members. Some providers have also added funeral or personal accident coverage. Currently some insurers are developing innovative property and complementary health products, plus education and retirement plans for the low-income market.

The microinsurance market in Mexico has grown substantially, but a large portion remains untapped. With the approval of regulatory changes, the exploration of new distribution channels, and further efforts at financial education, outreach can be significantly improved.

12.16.
NICARAGUA

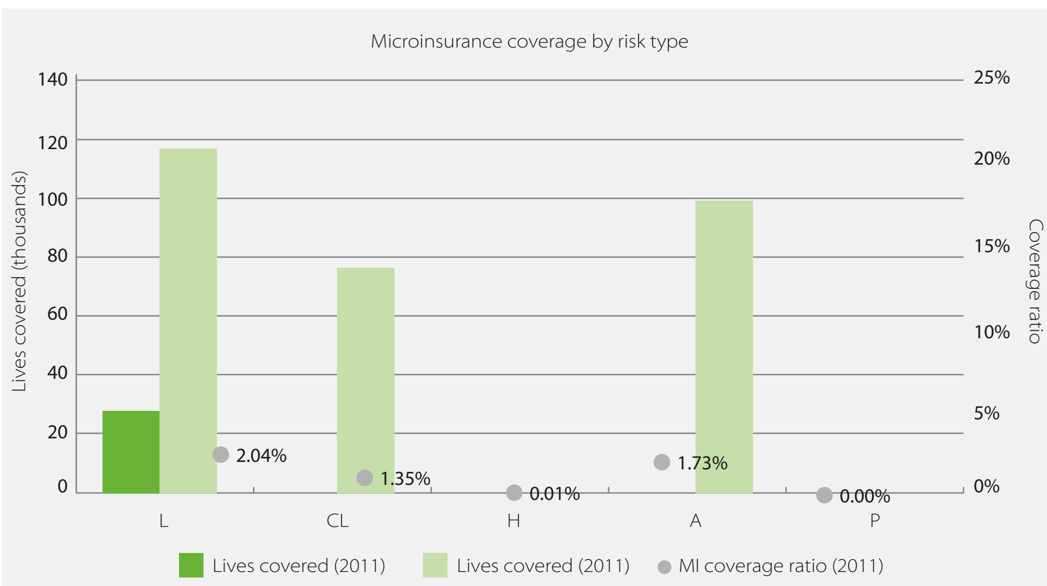
CREDIT-LED

TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	.121
MI coverage ratio (Total lives covered/total population)	2.09%
Population (2010, millions)	5.8
Low-income po pulation (% at national poverty line, 2009)	43%
GNI per capita (2011 PPP, current international $)	3,730
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	20

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Insurers in Nicaragua note that they need to be more aggressive and innovative in offering better coverage, lower prices, and good customer service to a lower-income segment of the population, but progress has been relatively slow. Microinsurance in Nicaragua is relatively new, underexploredm and limited by the country's small size. Low-income products have been concentrated in credit life products linked with Nicaragua's large and vibrant microfinance sector, group policies (including unions), and low cost life insurance products.

However, in 2008, Nicaragua's microfinance sector suffered a series of MFI failures, and the market has still not completely recovered from the crisis. Some MFIs still have a difficult time negotiating attractive premiums and coverage for credit life policies, although international insurers did step in to offer insurance covering the loan portfolios of some of the smallest and weakest MFIs.

In addition to the microfinance sector, insurance through group policies is offered to salaried workers, who make up only a small portion of Nicaragua's workforce. Since these policies are typically paid through employer contributions and do not require high collection or distribution costs, they are one of the most attractive markets for low-income insurance and have become the most sought after and competed for policies among insurance companies. However, insurance through formal employment excludes informal sector workers, which represent 65% of the country's economically active population, including farmers and rural workers. Insurers will need to work with MFIs and cooperatives to reach these populations. Few other delivery channels currently have access to them, but given that MFIs only have approximately 265,000 clients, alternative delivery channels will need to be developed.

Strengths: Strong and capable financial institutions.

Challenges: Lack of high-value products, lack of alternative distribution channels, lack of insurer and market knowledge.

MFIs note that microinsurance need and demand are widespread. However, high-value products such as health, property, and agriculture are largely absent.

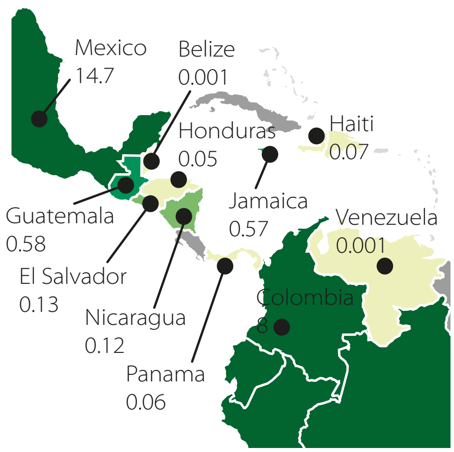
Developing alternative distribution channels will also be a challenge, but it will be necessary for microinsurance to expand, as less than 5% of Nicaragua's population are MFI clients.

The Future - Gaps and Opportunities: In addition to credit life policies, some smaller initiatives to sell voluntary microinsurance through MFIs have begun. Most notably, one microinsurance program has partnered with one of the largest MFIs in the market to sell a unique life insurance product on a voluntary basis to microfinance clients. Limited IT capacity is evident in the market.

12.17.
PANAMA

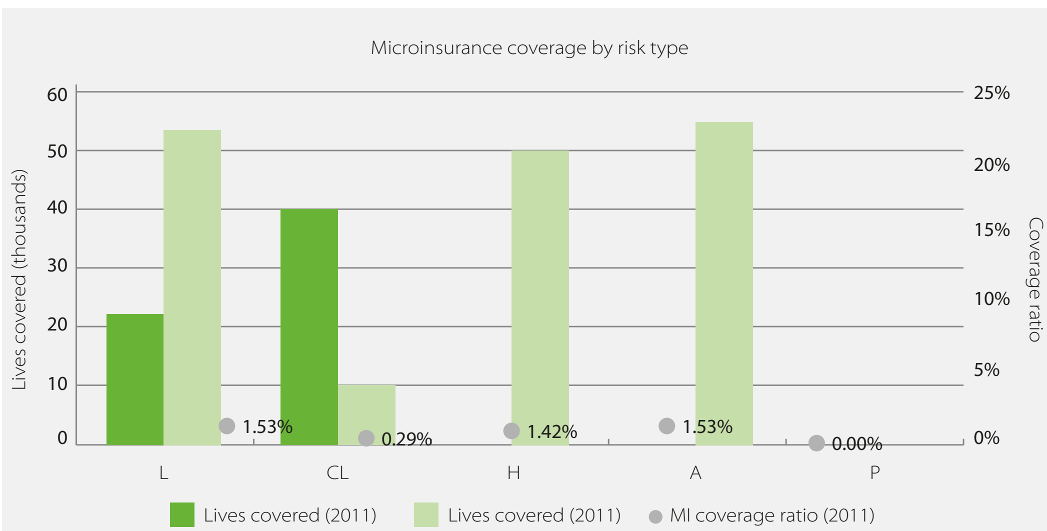
FRONTIER

TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**.064**
MI coverage ratio (Total lives covered/total population)	**1.81%**
Population (2010, millions)	**3.5**
Low-income po pulation (% at national poverty line, 2009)	**33%**
GNI per capita (2011 PPP, current international $)	**14,510**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**295**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: To date, the Panamanian insurance market has focused mainly on middle and upper niches, with very few products available for low-income households and businesses aside from credit life insurance through MFIs. However, there is potential for microinsurance given Panama's strong financial sector, relatively large informal sector, and widespread exposure to insurance as a concept.

One reason for the limited market was Panama's highly restrictive insurance regulations requiring all insurance to be sold through brokers. This gave brokers an automatic market in which they often charged 20% or 30% commission, making products less accessible to low-income clients. In addition, alternative direct channels such as MFIs or utility companies were not permitted, which made it virtually impossible to offer microinsurance at premiums that low-income people could afford. Furthermore, without a direct relationship with either a channel or the end client, insurers could not effectively offer financial education on insurance to low-income segments. In March 2012, legislation passed which removed the strict requirement for intermediaries and defined a number of permissible alternative channels and standard categories of products insurers can sell. Long expecting these changes, a few insurers had already begun to develop simple life and personal accident microinsurance products. Now that the new law has taken effect, more insurers are expected to delve into this nascent market.

Strengths: Improved legislation on agents and commissions, interested insurers, strong economic growth over the past decade helping to enlarge the middle class.

Challenges: Lack of distribution channels, limited capacity of cooperatives to serve as distribution channels.

MFIs, among the few viable channels that have been identified by insurers, are quite small, with an outreach of less than 20,000 clients; insurers will need to find alternative channels. Some insurers have begun working with churches and community associations, which typically have stronger ties to their members, as potential alternative channels. Others have started with group policies through employer groups as a way of building up the microinsurance business. Low-cost payment channels such as Western Union locations have been used to offer more options for customers to pay their insurance premiums.

The Future - Gaps and Opportunities: These are still early days for microinsurance in Panama, but drawing from the sophistication of the financial sector, and in particular of insurers, some interesting products and distribution schemes are expected to emerge in the coming years.

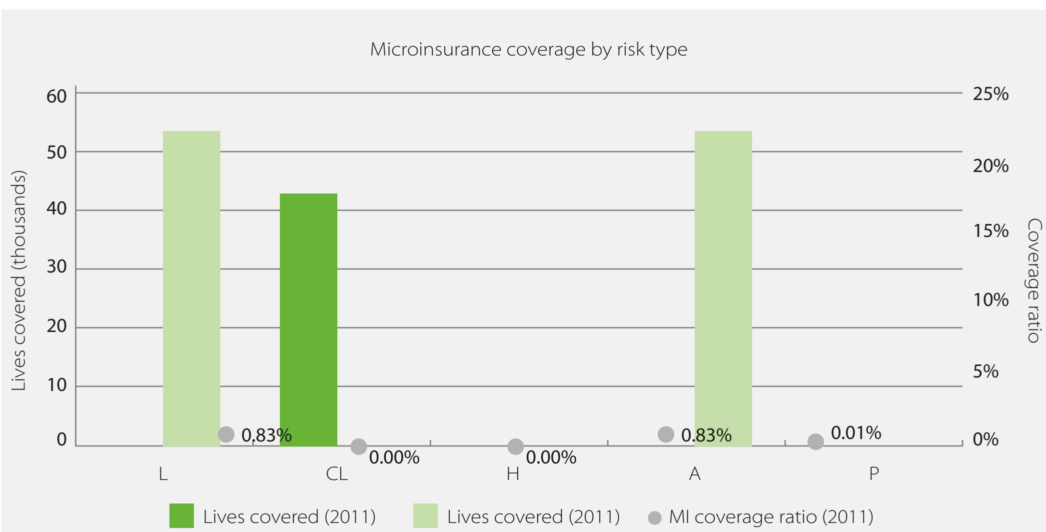
12.18.
PARAGUAY

FRONTIER

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	.054
MI coverage ratio (Total lives covered/total population)	0.83%
Population (2010, millions)	6.5
Low-income po pulation (% at national poverty line, 2009)	32%
GNI per capita (2011 PPP, current international $)	5,390
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	37

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Microinsurance is still very new to Paraguay, and an insurance culture amongst the poor has yet to develop. Insurance regulation specific to microinsurance does not exist, and few of the 33 regulated insurance companies within Paraguay offer microinsurance. Currently microinsurance distribution is predominantly through cooperatives, but some MFIs are exploring the prospect. Paraguay's economy relies on microentrepreneurs, agriculture, and the resale of imported products, and the majority of the population is involved in the informal sector. The few microinsurers are trying to address these needs but have had little success in terms of uptake.

Strengths: NA

Challenges: Vary nascent market, lack of client knowledge and demand, lack of insurer knowledge.

There is a need for microinsurance in Paraguay especially with the importance of agriculture and the prevalence of subsistence farming, but there has been little demand. While MFIs could reach a potential 500,000 clients, in general they have not been a source of demand for insurers to develop microinsurance products; the MFIs that do offer microinsurance have had low sales. Cooperatives have developed a few products, including a crop product in response to a severe drought that left small farmers in crisis in 2008; however, less than 30% of associates within any cooperative have opted to buy any insurance.

This lack of demand is certainly, at least in part, a result of clients' limited knowledge about microinsurance, but it may also be due to insurers' lack of knowledge about how to develop products that are valuable to low-income clients.

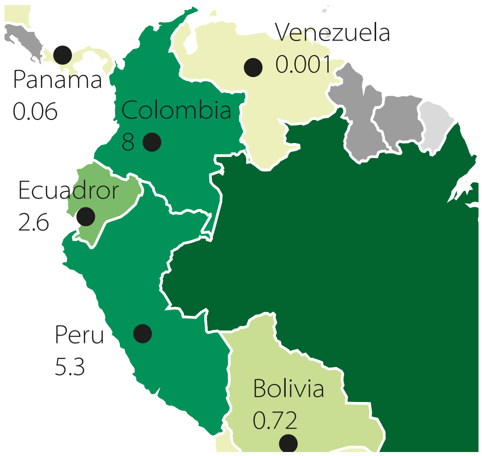
The Future - Gaps and Opportunities: The future of microinsurance in Paraguay depends greatly on identifying client needs and on financial education to help create an insurance culture. Insurers and cooperative or MFIs would both benefit from forming alliances to facilitate educational, research, and distribution efforts. While the most obvious opportunities for product development are those targeted at farmers and microentrepreneurs, attention should be paid to finding additional groups that can benefit from microinsurance and to how clients can be reached.

12.19.

PERU

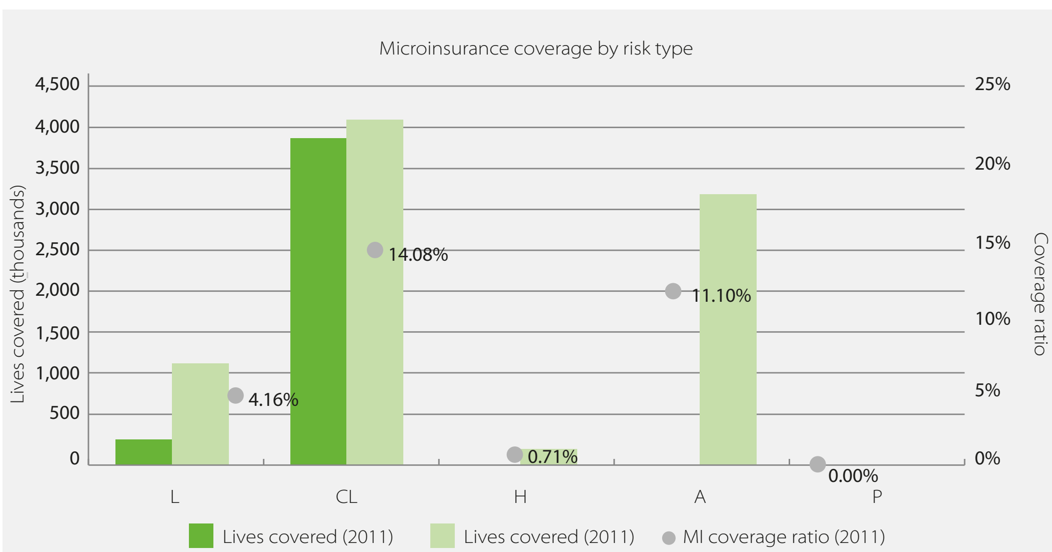
HYBRID

TOTAL LIVES COVERED (IN MILLIONS)



KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**5.283**
MI coverage ratio (Total lives covered/total population)	**18.17%**
Population (2010, millions)	**29.1**
Low-income po pulation (% at national poverty line, 2009)	**28%**
GNI per capita (2011 PPP, current international $)	**9,440**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**89**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Microinsurance in Peru has grown over the past few years, and insurers perceive opportunity for more growth in the upcoming years, as there are a multitude of MFIs and institutions which serve the low-income population. Most of the microinsurance now remains urban in outreach.

In Peru, there is specific microinsurance regulation. Microinsurance is now defined as a simple product (policy wording is reviewed in filing process), without exclusions, for which claims payment should be less than 10 days. However, most insurers do not register their products. Some reasons for this include:

- MI used to be the only product allowed for alternative distribution channels, however since the regulation changed (in 2009), there is no more incentive for insurers to file/register these products as MI.
- MI is not defined anymore in terms of caps to sum insured and premium, but as a "simple product" (policy wording is reviewed in filing process), without exclusions, for which TAT should be less than 10 days.
- The process to file products takes months, and when the Superintendent sends comments, processes to restart the filing process are considered too costly for low-premium products.

Respondents note too many constraints for insurers, who prefer to file pseudo-microinsurance products as "productos masivos" which do not necessarily correspond to the legal definition for microinsurance. Also the regulation forbids mutuals and cooperatives to carry insurance risk (except for limited guarantees offered to closed groups).

The insurers focus on life products: credit life, personal accident and voluntary life products, sticking to the low-hanging fruit thus far. Although the market has developed and some companies have dedicated staff, their experience and knowledge remains limited. It is common to have low claims ratios and high commissions, reflecting low-value products for clients. However, some insurers are pursuing more complex and innovative products, exemplified by some index insurance efforts. The government is involved in the provision of health and catastrophic insurance, in some cases working with commercial insurers.

Significant and important experimentation is actively going on in Peru with regards to agricultural and index insurance. Peru is effectively a learning lab for the region with its various programs. It remains critical that the lessons – successes and failures – from these programs are shared around the region.

Strengths: Strong financial institutions, investors in microinsurance, index insurance experiments, active rural development, and financial inclusion programs with microinsurance components.

Challenges: Regulation, lack of high-value products.

Most microinsurance in Peru is linked to Cajas de Ahorro y Credit (credit and savings banks) and MFIs, and mass market products are also offered through retail. Very little innovation has happened in terms of distribution. Brokers commonly play a role in the Peruvian market and link financial institutions to insurers; the partnerships are business-driven since the financial sector competes for the emerging middle-class. The 'cajas rurales' and MFIs serve the actual low-income population and the clients socio-economic profiles reflect the geographical differences. Distribution to rural areas has remained a major challenge.

The Future - Gaps and Opportunities: Improving distribution will be critical to the future of microinsurance in Peru. New opportunities should emerge with efforts to develop a banking correspondent network. Other alternative distribution channels could be expanded as in the examples of Mexico and Colombia. Expansion of a range of products should be promoted as well as value for clients. Experimentation in agriculture, index, and rural insurance will continue to be important, and again, it is critical to leverage the lessons of Peru around the region through effective dissemination of the experiences and lessons.

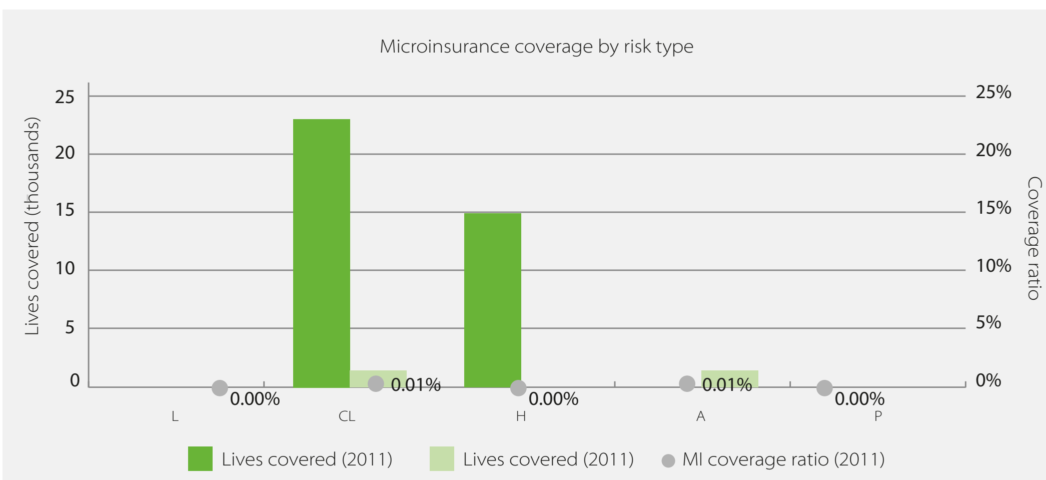
12.20.
VENEZUELA

CREDIT-LED

TOTAL LIVES COVERED (IN MILLIONS)

KEY NUMBERS	TOTAL
Total lives covered by microinsurance (millions)	**.001**
MI coverage ratio (Total lives covered/total population)	**<0.01%**
Population (2010, millions)	**28.8**
Low-income po pulation (% at national poverty line, 2009)	**32%**
GNI per capita (2011 PPP, current international $)	**12,430**
TOTAL INSURANCE PREMIUM/CAPITA (USD, 2011)	**369**

MICROINSURANCE COVERAGE BY RISK TYPE



Status of Microinsurance: Prior to 2010, insurers and MFIs were cautiously experimenting with microinsurance and were seeing slow growth. Products began with credit life and remained relatively focused on life and accident. There was one notable prepaid health insurance product that was extremely popular. However, all of this development has been negated due to legislation passed at the end of 2010. The new legislation prohibited banks from selling insurance to clients, which stopped MFIs and banks that had been offering microinsurance. The legislation also mandated that all insurance companies offer a product called Seguros Solidario, which was developed by the government. The government has set the coverage, premiums, market, and quotas on how many policies insurers are required to sell. However, given those premium and coverage levels, insurers are not able to sell Seguros Solidario without operating at a loss and do the bare minimum to meet the mandated sales quota. Insurers are very hesitant to create other microinsurance products to target the population that cannot buy Seguros Solidario because they fear the government will take advantage and try to force lower premiums and increased coverage, resulting in another unprofitable mandatory product.

Strengths: Demand and interest is high.

Challenges: Regulatory and policy constraints, lack of alternative distribution channels, lack of business case in the given environment.

Aside from the regulatory constraints discussed above, the lack of distribution channels remains a principal challenge to creating financially sustainable products. There are few MFIs in Venezuela, and those that do exist have a limited client base, reaching less than 50,000 clients. Utility companies could be an efficient distribution channel and premium collection method, but they are government owned and the government does not want to actively participate in offering microinsurance. In interviews, both insurers and MFIs communicated that client demand for microinsurance is high, and they believe they could successfully sell products on a large scale if better distribution channels existed. Advances in cell phone applications and technology may help distribute microinsurance in a country where MFIs are not widespread, but mobile distribution in particular will require regulatory support or at least non-interference.

The Future - Gaps and Opportunities: As of today, the insurance industry in Venezuela technically does not offer any microinsurance products, although some MFIs are eager to begin offering insurance to their clients again. In response to the new legislation prohibiting MFIs from selling insurance to clients, one MFI has created a separate insurance entity and is working to resume offering its previous microinsurance product (a life and personal accident/disability product), in addition to a new funeral product. Though insurers remain cautious to re-enter the market due to the regulatory climate, they have cited funeral and property insurance as the sectors having biggest potential for growth.

APPENDIX 1

MICROINSURANCE DEFINITION AND METHODOLOGY FOR THIS STUDY

The microinsurance products / programs qualifying for inclusion in the Latin American and Caribbean landscape study, undertaken for IDB / MIF, were selected based on the following definition:

Microinsurance must correspond to insurance products that are modest in terms of both their coverage and their premium levels. "Microinsurance", for this study, is defined by the following characteristics:

- must have been developed intentionally to serve low-income people (insurance that is not just purchased also by low-income people, but products that are designed for low-income people)
- government must not be the risk carrier (not social security programs)
- must be part of a product offering that is working towards profitability or at least sustainability
- must reflect no (or at most minimal) subsidies

Additionally, we applied the following criteria:

THE TARGET POPULATION

The schemes must target the lower-income population of the country. This signifies the population which has not had access so far to mainstream insurance products. Income levels of this target population vary by country based on the national income distribution specificities and spread from the below-poverty-line population to the lower-middle class.

THE PRODUCT TYPES

All lines of business are included; risks covered consist of: life (including endowment/pension), accident, health, property, livestock, and crop. Products are not necessarily labeled as microinsurance by the local regulator but must remain simple and accessible to the local low-income population. Mass market products are considered as microinsurance for this study as long as they meet the other criteria stated in this definition.

THE SUPPLY MECHANISMS

Microinsurance products may be provided by various stakeholders and through varied channel types. Risk carriers can be registered with the national regulator or not, and include informal cooperatives, insurance mutuals and commercial insurers. On the other hand, distribution channels for the microinsurance and mass market products may be supermarkets or corner shops, more traditional microfinance institutions, or new technology-enabled channels (cell-phone companies), among others. These stakeholders should aim at sustainable schemes, and the schemes considered for this study may not be implemented by governments.

THE PREMIUM AMOUNTS

In order to ensure that the study includes affordable products (as per microinsurance objectives), a set of premium limits was established by country and line of business. Furthermore, the products should only receive limited subsidies in order to qualify as MI for this study. The table below provides a list of the premium caps by product type. These percentages for life, health, and property were determined based on a review of products in several countries around the region and around the globe. The percentages used were determined as effective approximations of the upper range of microinsurance products.

COUNTRY	GDP PER CAPITA USD PPP - 2010	MAX PREMIUM BASED ON GDP PPP - MI DEFINITION (ANNUAL)			GDP PER CAPITA - USD 2011	MAX PREMIUM BASED ON GDP - MI DEFINITION (ANNUAL)		
		LIFE 1%	HEALTH 4%	PROPERTY 1.5%		LIFE 1%		PROPERTY 1.5%
ARGENTINA	15,150	152	606	227	9,124	91	365	137
BELIZE	5,970	60	239	90	4,064	41	163	61
BOLIVIA	4,560	46	182	68	1,979	20	79	30
BRAZIL	9,390	94	376	141	10,710	107	428	161
CHILE	13,890	139	556	208	12,431	124	497	186
COLOMBIA	9,000	90	360	135	6,225	62	249	93
COSTA RICA	10,880	109	435	163	7,691	77	308	115
DOMINICAN REPUBLIC	8,700	87	348	131	5,215	52	209	78
ECUADOR	9,270	93	371	139	4,008	40	160	60
EL SALVADOR	6,390	64	256	96	3,426	34	137	51
GUATEMALA	4,610	46	184	69	2,862	29	114	43
HAITI	1,110	11	44	17	671	7	27	10
HONDURAS	1,880	19	75	28	2,026	20	81	30
JAMAICA	7,430	74	297	111	5,274	53	211	79
MEXICO	9,330	93	373	140	9,123	91	365	137
NICARAGUA	2,610	26	104	39	1,132	11	45	17
PANAMA	12,940	129	518	194	7,589	76	304	114
PARAGUAY	5,430	54	217	81	2,840	28	114	43
PERU	8,940	89	358	134	5,401	54	216	81
VENEZUELA	11,950	120	478	179	13,590	136	544	204

In microinsurance a number of definitions have been and still are used. For an overview of these, see: Ingram and McCord, 2012. "Defining Microinsurance: Thoughts for a journey towards a common understanding."

METHODOLOGY AND CONSIDERATIONS

A key element of this study's definition is that products be designed for the low-income population, not simply accessible to that population. This excludes a number of insurance products that are mainly used by the middle-income population, although the products may be financially accessible for the low-income population. Other components of this definition which lead to the exclusion of products marketed as or considered to be microinsurance by others are the criteria that the government not serve as the risk carrier and that the product receive minimal government subsidies. A few markets for microinsurance, most notably agriculture, are characterized by heavy government involvement.

METHODS

In assessing the landscape of microinsurance in LAC, 20 countries were researched in depth, chosen for their significance to microinsurance and their linkages to other IDB/MIF related projects. The full list of countries that were studied in depth is provided in Appendix 2.

The researchers for this study aimed to include all organizations offering products fitting the specified microinsurance definition. In order to target these organizations, desk-research was conducted to identify all insurance providers in a country. Through internet research, some organizations were found to not provide products that met the study's definition of microinsurance. The remaining organizations were contacted to determine their involvement in microinsurance. Identifying potential microinsurance providers was an ongoing activity, in many cases aided by communications with regulators, aggregators such as FASECOLDA and Planet Guarantee, and other insurers in the market.

The primary modes of data collection were surveys and interviews. All survey and interview participants were volunteers and could discontinue their participation at any time. There were a few incidents in which an organization declined to participate in the study, and in these cases, researchers first worked to answer questions and address the organization's concerns about the study. If the organization continued to decline participation, every effort was made to contact a distribution channel, regulator, or aggregator that might possess the information on the microinsurance products offered by the declining organizations.

Surveys were distributed to all potential microinsurance providers that were identified. The survey was based off of the survey used for the Landscape of Microinsurance in the World's 100 Poorest Countries. This was done intentionally to insure that data collected in this study would be comparable to the data collected previously. A variety of questions were included about the organization, the products, and the organization's thoughts on expansion factors and issues with the market and regulation. Key quantitative data requested included value of premiums received in 2010 and 2011, as well as entities covered at the end of each of those years. A copy of the full survey can be found in Appendix 3.

To complement and facilitate the surveys, a team of seven researchers also conducted interviews with potential microinsurance providers. Nine of the twenty countries, specified in Appendix 2, were visited by researchers. Country visits lasted a week on average, and in these cases, interviews were conducted in person and lasted no longer than two hours. These interviews served to explain the questionnaire, obtain commitment from the information provider, and generate general information about the company and its microinsurance activities. For countries that were not visited, interviews were conducted via telephone. The interviews served several purposes: they allowed researchers to build a relationship with the organizations, obtain answers or clarify survey questions, and establish a better understanding of the country's microinsurance market and stakeholders. The persons interviewed included the CEOs, general managers, or whoever was the most knowledgeable about the organization's microinsurance operations. As stated above, in some cases regulators and aggregators were contacted in addition to microinsurance providers in order to obtain a deeper understanding of the microinsurance market in the country.

The secondary mode of data collection on microinsurance products and providers was internet and literature research of secondary sources, including published and unpublished resources in English, Spanish, and Portuguese, as well as academic, journalistic, corporate, and consultant outlets. These resources, if within the time bounds of the study, were used to address any gaps that could not be clarified by the insurer, distribution channel, or regulator. However, for information on donors, regulation, and the overall country context, secondary sources provided the primary source for data collection, with key informants providing limited additional resources.

CONSIDERATIONS

When reading this study, one should be aware that all of the data collected was voluntarily submitted at the goodwill of the insurers, distribution channels, aggregators, regulators, donors, and other organizations involved with microinsurance. If an insurer refused to participate in the study, the researchers collected the product information from a distribution channel or aggregator where possible. When using aggregators, it was often not possible to determine the exact number of products or insurers included or the exact coverage of the products, although coverage was specified to the greatest degree possible.

For situations in which surveys were received from an insurer and distribution channel partnering to offer a microinsurance product, product information was only kept from the insurer to avoid double counting those insured through the product. The organizational information and the market perceptions reported by both organizations were kept, however.

Although most insurers and other organizations were willing to provide data, it must still be considered that the appropriate information may not always have been available. As in the rest of the developing world, insurance accounting generally does not include a segregation of microinsurance data. Even when data is segregated, insurers and other organizations do not always track their business in the same way (Koven and McCord, 2012). Thus when necessary, researchers contacted organizations to clarify information to the greatest degree possible.

The final consideration is regarding what insurers or others believe is "microinsurance". Although the project applies a clear definition of microinsurance and a model for counting policyholders and covered lives, it is possible – indeed likely – that this definition will not correspond exactly to that used by an insuring entity or the government in a jurisdiction. Thus data generated may not comply exactly with the definition put forth. The overall effort focused on collecting microinsurance data related to those considered low-income and if possible complying directly or nearly with our definition. Therefore, data presented in this study will reflect "those identified" as covered with microinsurance as opposed to an absolute number of people with microinsurance. For these concerns, again the researchers made all possible efforts to contact organizations and clarify information.

Unlike Africa and Asia, Latin America has a prolific mass market for insurance. Several countries in Latin America have a rapidly growing middle class, which is attractive to insurers as they hope to gain families as clients while they are low-income and then maintain that relationship as the families become wealthier and purchase more expensive products. Middle and upper class consumers may even be generating demand for low cost insurance delivered through mass market channels typically dedicated to low-income segments by purchasing small items – such as lottery tickets, cell phone airtime, and toasters or microwaves – that are linked to cheap insurance products. In this environment, many insurers view the low-income and middle-income population as a continuum of clients, thus make little or no distinction between mass market insurance and microinsurance. This is very different from Africa and Asia where it is relatively easier to identify the microinsurance market simply because there is a clearer distinction between low-income and wealthier populations as well as the insurance products they access. Thus, one can use a number of proxies to reasonably segregate microinsurance from other insurance. Also, as the countries of Latin America and the Caribbean are generally wealthier and more developed than those in Africa or Asia, the standard measure for world poverty – those living on less than USD 2 per day – does not apply to the potential microinsurance market in LAC as it would in Africa or Asia.

Other traditional measures of the possible microinsurance market, such as number of MFI clients, also tend to be much less effective in LAC. For example, in many African and Asian countries, one can reasonably assume that MFI clients with insurance are microinsurance clients. In Latin America, many of the MFIs have grown with their clients and offer loans as large as USD 100,000 to their clients, who are clearly not "micro" clients. Thus, the challenge was significant in working to separate out the microinsurance from the non-microinsurance in this study.

With all these considerations, it is important to recognize that the quantitative information presented in this paper does not represent an absolute number of products, clients, or other data. Rather, this paper reports what the team was able to identify as microinsurance. Although the data for this study is not an absolute measure of microinsurance in LAC, the data set is large enough to represent the "landscape" of microinsurance and provide an accurate picture of the market and where it is going.

APPENDIX 2

COUNTRIES STUDIED

Countries in bold were visited by the landscape team.

ARGENTINA
BELIZE
BOLIVIA
BRAZIL
CHILE
COLOMBIA
COSTA RICA
ECUADOR
EL SALVADOR
GUATEMALA
HAITI
HONDURAS
JAMAICA
MEXICO
NICARAGUA
PANAMA
PARAGUAY
PERU
DOMINICAN REPUBLIC
VENEZUELA

APPENDIX

3

COUNTRY DATA ON LIVES AND PROPERTY COVERED IN LAC

The table below provides details by country for the broad types of microinsurance as well as details of microinsurance coverage ratios (lives insured / total population) by country and product group. PLEASE NOTE that the totals in this table, and in the other tables in the product section, are not the sum of the subtotals. As the majority of products offer multiple covers, the sum of the subtotals is almost always greater than the total number of insured. For example, a product that offers cover for credit life, funeral, and hospital cash will be counted once each under the Credit Life, Life, and Health categories; the sum of the subtotals of this example would be three times the actual number covered. Additionally, the total coverage noted here is only for the countries studied. The total coverage rate for the region, inclusive of the other countries which were not directly studied is 7.6%.

COUNTRY	TOTAL LIVES OR ASSETS INSURED BY MICROINSURANCE (MM)						MICROINSURANCE COVERAGE (NUMBER INSURED/POPULATION)					
	TOTAL	CREDIT LIFE (CL)	LIFE (L)	HEALTH (H)	ACCIDENT (A)	PROP-ERTY (P)	TOTAL	CL	L	H	A	P
ARGENTINA	1.356	-	1.337	0.019	0.430	-	3.34%	-	3.31%	0.05%	1.06%	-
BELIZE		-	-	-	-	<0.001	0.16%	-	-	-	-	0.16%
BOLIVIA	0.718	0.488	0.716	0.006	0.468	0.001	7.23%	4.92%	7.21%	0.06%	4.71%	0.01%
BRAZIL	10.448	<0.001	7.767	4.100	9.593	2.055	5.36%	<0.01%	3.98%	2.10%	4.92%	1.05%
CHILE	0.496	-	0.042	0.120	0.290	0.086	2.90%	-	0.25%	0.70%	1.69%	0.50%
COLOMBIA	7.977	0.969	4.191	0.118	2.483	0.216	17.23%	2.09%	9.05%	0.26%	5.36%	0.47%
COSTA RICA	-	-	-	-	-	-	-	-	-	-	-	-
DOMINICAN REPUBLIC	0.254	0.050	0.124	0.064	0.224	0.028	2.56%	0.50%	1.24%	0.65%	2.26%	0.29%
ECUADOR	2.637	1.236	2.254	1.574	0.527	0.486	18.23%	8.54%		10.88%	3.64%	3.36%
EL SALVADOR	0.129	0.064	0.090	0.012	0.078	0.012	2.09%	1.03%	1.81%	0.20%	1.26%	0.20%
GUATEMALA	0.576	0.020	0.576	0.382	0.556	-	4.00%	0.14%	4.00%	2.65%	3.86%	-
HAITI	0.072	0.059	0.013	-	-	0.059	0.72%	0.59%	0.13%	-	-	0.59%
HONDURAS	0.051	0.010	0.051	0.010	0.010	-	0.67%	0.13%	0.67%	0.13%	0.13%	-
JAMAICA	0.566	-	-	-	0.566	-	20.95%	-	-	-		-
MEXICO	14.731	8.770		3.606	5.339	-	12.99%	7.73%		3.18%	4.71%	-
NICARAGUA	0.121	0.078	0.118	<0.001	0.100	-	2.09%	1.35%	2.04%	0.01%	1.73%	-
PANAMA	0.064	0.010	0.054	0.050	0.054	-	1.81%	0.29%	1.53%	1.42%	1.53%	-
PARAGUAY	0.054	<0.001	0.054	-	0.053	<0.001	0.83%	<0.01%	0.83%	-	0.83%	
PERU	5.283	4.095	1.211	0.205	3.226	-	18.17%	14.08%	4.16%	0.71%		-
VENEZUELA	0.001	0.001	-	-	0.001	-		<0.01%	-	-		-
TOTAL FOR 20 COUNTRIES		**15.850**		**10.268**	**23.997**	**2.944**	**8.15%**	**2.84%**	**5.83%**	**1.84%**		**0.53%**

APPENDIX

4

INSURER QUESTIONNAIRE

	LATIN AMERICA AND CARIBBEAN SURVEY OF MICROINSURANCE				
What is your given name?					
What is your family name?					
Name of Company					
Name of Country					
Address and Contact Details of Insurer's in-country head office (This is for the one entity noted above as the insurer. For government agencies or companies, this should be the one government department or agency noted as the insurer.)	First address line				
	Second address line				
	City/Town/Postal code				
	Telephone: (format = +country – city - number)				
	Email:				
	Web site:				
Insurer's approximate total annual premiums / contributions (include year) (includes all premiums paid to the insurer including microinsurance and other insurance premiums.				Year	
Indicate the currency expressed above					
How would you describe the insurer's regulatory status? (Tick only one)	Informal (not regulated)				
	Formal (Regulated by an agency other than Insurance Superintendency)				
	Formal (Regulated by Insurance Superintendency)				
	Other (please specify- ____________________)				
Your company is an insurer of… (Tick as many as apply)	Health				
	General				
	Life				
	Other (please specify- ____________________)				
Which of the labels best describes the insurer? (Tick only the one most appropriate)	Commercial Company				
	NGO				
	Government Agency (social security / protection)				
	Parastatal Insurer (majority owned by government)				
	Community-Based Organization				
	Informal Society or Business				
	Mutual (not "community-based" but formal with professional insurance manage-				
	Takaful insurer				
	Reinsurer				
	Cooperative				
	Other (please specify- ____________________)				
Does insurer wish to be included on the MIC Mailing List and receive additional information about the study? (Tick if yes)					

Does the insurer reinsure its microinsurance activities? (Tick if yes, then select name of reinsurer below)
Reinsurer:

Mapfre   Swiss Re   Munich Re   Suramericana
General Re   Liberty Mutual   Generali   XL Re

To what degree are you in agreement with the below statements regarding the microinsurance market? (Tick the corresponding box for each statement.)	Strongly Agree	Mainly Agree	Neither Agree or Disagree	Mainly Disagree	Strongly Disagree
Financial regulations are favorable for the microinsurance business					
Your domestic microinsurance business grew considerably in the last 5 years					
Your domestic microinsurance business will grow >10% in the next year					
Your domestic microinsurance business will grow >100% in the next 5 years					
Likewise, rate the following possible reasons that might be hindering expansion into the low-income insurance	Strongly Agree	Mainly Agree	Neither Agree or	Mainly Disagree	Strongly Disagree
Lack of demand for insurance products from the potential					
Ignorance about insurance in the potential client base					
Lack of affordability in the potential client base					
Lack of reinsurance support to insure the poor					
Lack of distribution channels					
Lack of information to help in the development of insurance products designed for the bottom of the pyramid					
Insurer perception that they cannot offer microinsurance profit-					
We are not hindered in our microinsurance expansion					

Are there regulations in the country that hinder or promote the expansion of microinsurance? (Tick up to five total responses)

HINDER	PROMOTE
H1Difficult policy requirements	P1Specialized microinsurance legislation provides separate requirements for microinsurance (such as reduced solvency or initial capital requirements)
H2Solvency requirements make microinsurance non-viable	P2Regulations require insurers to provide microinsurance
H3Reinsurers not allowed to re-insure unregulated "insurers" (such as community-based microinsurance)	P3Clear manageable mutual insurance laws
H4Other hindrance (please specify ______________________________)	P4Other promotion (please specify: ______________________________)

About the Insurance Products. Please complete the following for each microinsurance product the organization provides.

Is the product the lead or principal microinsurance product of the company (largest in terms of policies sold)?	
Name of the microinsurance product	
What year was product introduced?	

Is this product tied to a microcredit loan (debt insurance)? (tick if yes)

Principal type of insurance product: Life Accident Health Property Agriculture
Multiple products bundled into one (without principal coverage) Other please specify: ____________________

What is the specific product type? (Tick one below; if more than one applies, please specify the lead cover)

Life	**Accident & Disability**	**Health**	**Property**
1A Credit Life	2A Any Cause	3A Primary	4A Livestock
1B Credit Life Plus	2B Work	3B Hospitalization	4B Crop
1C Funeral	2C Travel	3C Comprehensive	4C Home
1D Term	2D Other	3D Other	4D Other possessions**
1E Endowment			4E Microbusiness (inventory)
1F Pensions			4F Microbusiness (other)
1G Investments			4G Motor
1F Other			4H Other

**(machinery, cars, motorcycles, etc.)
If you have any type of microinsurance product that is not on this list, please inform MIC immediately.

Is this product tied to an index? (If Yes, tick one below)

5A Rainfall
5B Catastrophe
5C Wind
5D Hurricane
5E Price stabilization
5F Other (please specify: ____)

What type of policy is it?

A. Group
B. Individual
C. Both
D. Other (please specify:____________________________)

Is this policy mandatory, voluntary, or both?

A. Mandatory
(required add-on to another product like a loan)
B. Voluntary
C. Both

What is the policy term? (Tick one)

1 Linked to loan or other product term
2 Yearly renewable term
3 Fixed limited term, up to one year
4 Limited term 1-5 years
5 Limited term 6-20 years
6 Limited term more than 20 years
7 Whole of life
8 Other (please specify: ______________________________)

What is the product's target group (Tick as many as apply)?

T1 Not defined
T2 Low-income
T3 Women
T4 Men
T5 Pregnant women
T6 Children
T7 Agriculture industry
T8 Unemployed
T9 Self-employed
T10 MFI clients (e.g., credit life, disability)
T11 Bank clients
T12 Retirees
T13 Other (please specify: ____________________________

Enter the three main channels used to deliver the microinsurance product(Number the three most relevant channels in order of importance)

A Insurance sold directly through specialized tied agents (agents working for the insurer but focused only on microinsurance)
B Insurance sold through dedicated/specialized microinsurance agents or "micro-agents" (not MFIs)
C Insurance embedded in other products. (Such as microinsurance that comes with a loan for no additional cost)
D Microinsurance sold by conventional insurance agents
E Employer selling employee insurance (or buying insurance on behalf of their employee)
F General Insurance broker
G Specialized microinsurance brokers (focusing primarily on microinsurance products)
H Remittance offices
I Retailers (shops, churches, other non-financial institutions) (not funeral parlors – see "J")
J Funeral parlors
K Delivered through Community-based groups
L Delivered to members (such as for mutuals)
M Sold by Microfinance Institutions as agent
N Sold through non-insurer providers (formal programs offered by hospitals, for example)
P Civil society organizations (like Women's Unions)
Q Mandatory participation (such as some social security programs)
R Other (please specify: ____)

What are total premiums received for this microinsurance product in	Amount:	Currency:
What are total premiums received for this microinsurance product in	Amount:	Currency:

What is the typical premium paid by the typical policyholder and the typical sum assured for this class of business in 2011?

Premium paid:	Sum assured:	Currency:

Do these amounts include VAT? (tick if yes)

Policy and Coverage figures:

Example: *A health or life policy covers 2 parents and 3 children. In this case, it would count as 5 people insured for each individual policy.*

Example: *Your company has a group policy with a MFI. The total number of individual policies would be equal to the number of insureds (debtors). To calculate the total number of people covered, add this number to the total* number of

Total number of people covered by the policy at the end of 2011 (Includes family	
Total number of people covered by the policy at the end of 2010 (Includes family	
Total number of individual policies in force at the end of 2011	
Total number of individual policies in force at the end of 2010	

Does your company distinguish between microinsurance and other insurance products? (tick if yes)

If there is a distinction, what is it? (tick all that apply)

Specialized Department

Design and marketing of different products

Management of microinsurance products

Customer service dedicated to microinsurance clients

Differentiated distribution channels for microinsurance products

Other (please specify____)

How do you measure the success or impact of this microinsurance product?

We do not measure it
Financial performance indicators
Social performance indicators
Client satisfaction surveys
Impact studies
Other
(please specify________________________)

Does this microinsurance product incorporate any technology in the following insurance activities?
(includes cell phones, POS, magnetic strip cards, call centers, smart cards, or others) (tick all that apply)

None
Customer service (ex: cell phone application, hotline, etc.)
Payment of claims or premium collection
Policy Management
Product Design (ex: GPS/geographic data)
Communication with intermediaries
(ex: sending documents, registering online, etc.)
Back-office
Other
(please specify ________________________)

Please briefly describe each type of technology used with this product,
including the function(s) for which it is used:

Was the technology developed specifically for this product? (tick if yes)

Who developed the technology? The Insurer
IT Company
Other
(please specify________________________)

Does the microinsurance product have donor support? (Tick if yes)

Name of the donor that supports the product

Approximate total donor support	Amount:	Currency:	Number of years this support covers:

If you would like to include any additional information to the survey, please do so in the space below:

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MULTILATERAL INVESTMENT FUND
New York Avenue, N.W.
Washington, D.C. 20577
www.fomin.org