Report
10th International Microinsurance Conference 2014
Making insurance work for the poor

11 – 13 November 2014
Mexico City, Mexico

Edited by
Zahid Qureshi and Dirk Reinhard

Contents

Conference documents and presentations are available online at:
www.microinsuranceconference.org/2014

Links:

Munich Re Foundation
www.munichre-foundation.org

Microinsurance Network
www.microinsurancenetwork.org

Acknowledgements

About ten years ago, Munich Re Foundation and the Microinsurance Network invited around 90 insurance and development professionals to attend the first International Microinsurance Conference, which took place near Munich in Germany. Over the past ten years and conferences, a total of nearly 3,800 experts from around the world have attended the events. The conference has grown from a small meeting into an international summit with over 80 speakers and more than 25 sessions every year. Thanks to the cooperation of various organisations and the support of numerous people, the conference today is the most important gathering for discussing insurance in emerging and developing markets. On behalf of Munich Re Foundation, we would especially like to thank the Microinsurance Network, the ILO's Impact Insurance Facility, the GIZ, the World Bank Group and the Georgia State University's Center for the Economic Analysis of Risk for their cooperation during the last ten years.

One person deserves very special recognition for his outstanding support of the conference: Craig Churchill, who served as the Chairman of the Microinsurance Network until just recently in 2014, was one of the masterminds of the International Microinsurance Conference. His thought-provoking expertise and understanding of the industry is certainly a key success factor that has allowed the International Microinsurance Conference to so quickly become what it is today.

The 10th International Microinsurance Conference brought together nearly 400 participants from 54 countries, including 80 speakers. We would like to thank them for sharing their knowledge and experience. On behalf of the organisers, we would also like to thank the members of the conference steering committee. This event would not have been possible without their work in identifying suitable speakers and presentations from the over 140 applications submitted during the preparations.

An event of such magnitude needs a lot of people working behind the scenes. The Association of Mexican Insurance Institutions, AMIS, provided outstanding support to the 10th International Microinsurance Conference. We would like to especially thank AMIS' CEO Recaredo Arias, and officials Maria Luisa Ríos and Véronica Eimbcke for their outstanding support. Great thanks are also due to Munich Re Foundation's conference team – Thomas Loster, Annalisa Gradim-Pedro, Julia Martinez, Petra Hinteramskogler and Torsten Kraus – who did an amazing job in organising another exceptional event. A special thank-you goes to the Executive Director of the Microinsurance Network, Véronique Faber, and to the entire secretariat team of the Microinsurance Network for their unerring support.

We also want to make special mention of this year's excellent team of rapporteurs – Constance Collin, Clément Crucifix, Camyla Batista Guimarães Fonseca, Leigh Johnson, Charlotte Newman, Jia Min Ng and Martina Wiedmaier-Pfister – which was led by Zahid Qureshi. They volunteered to take on the difficult task of gathering and documenting the key messages and lessons from various sessions of the 2014 conference.

The 2015 International Microinsurance Conference will take place in Morocco. The host country offers a perfect opportunity to reach out not only to the French-speaking countries, it will also be the first time that the event takes place in North Africa, a region currently facing major changes and challenges. Together with the Moroccan Federation of Insurance and Reinsurance Companies, FMSAR, we are looking forward to the next event, which will be held in Casablanca from 3 to 5 November 2015.

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

Munich, February 2015

This report is the summary of the 10th International Microinsurance Conference that took place in Mexico City, Mexico, on 11–13 November 2014.

The 10th International Microinsurance Conference was hosted by Munich Re Foundation, the Microinsurance Network and the Asociación Mexicana de Instituciones de Seguros (AMIS), supported by BMZ, the ILO, FIDES, Bradesco, the Inter-American Development Bank and the Georgia State University Center for the Economic Analysis of Risk (CEAR).

As the style of the sessions changes, so too does the style of the individual summaries. Readers, authors or organisers may not share all opinions expressed or agree with the recommendations given – which, however, reflect the rich diversity of the discussions.

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

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"Mexico has a national strategy for financial inclusion, and a core element is the development of simple and right products giving people the means to improve their living conditions."

Manuel Aguilera, President,
CNSF, Mexico

2–4 — Around 400 participants from 54 countries attended the 10th International Microinsurance Conference in Mexico City.

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Agenda

Day 1 morning sessions 11 November 2014

Pre-conference seminar 1

Academic track

Hosted by Georgia State University Center for the Economic Analysis of Risk (CEAR).

The purpose of this session was to review recent advances in experimental methodologies for evaluating the demand for insurance and risk management, as well as the welfare evaluation of microinsurance products. The pre-conference seminar included participation in pedagogic experiments designed to demonstrate some of the topics, with a particular emphasis on the demand for index insurance. Participants enjoyed a "hands on" experience of these experiments, as well as discussions covering the design and analysis of the experiment they were involved in.

Pre-conference seminar 2

3rd Consultative Forum

Hosted by the Access to Insurance Initiative, the International Association of Insurance Supervisors and the Microinsurance Network.

This forum provided a platform for exchange between insurance supervisors and participants from the insurance industry. It focused on topics and strategies connecting regulation, supervision, politics and industry actions. The subsequent discussions presented opportunities for feedback and guidance to each stakeholder group.

Pre-conference seminar 3

The ILO's Microinsurance Forum – Making PPPs work

Hosted by the ILO's Impact Insurance Facility.

The ILO's Microinsurance Forum provided an engaging and open environment for sharing experiences and exchanging lessons learnt on issues that matter the most in improving microinsurance practice. This year's forum focused on the topic of "Making public-private partnerships work". With successful partnerships, insurance providers had the opportunity to open new markets and reach scale while complementing existing social programmes to reach public policy objectives.

Pre-conference seminar 1

Scientific evaluation methodology

Hosted by the Center for the Economic Analysis of Risk (CEAR) at Georgia State University, USA.

CEAR studies the topic of risk from the standpoints of various disciplines ranging from economics and finance to psychology. In particular, it seeks to understand how individuals respond to both financial and non-financial risks, by fostering two-way communication between academics and practitioners.

The seminar started out by reviewing how tools from behavioural economics can be used to evaluate the demand for insurance products. CEAR demonstrated how laboratory experiments could be conducted to elicit insurance demand, paying attention to the methodology in these experiments and what their results reveal. Participants also had a first-hand experience by taking part in one of these experiments. Topics covered included eliciting insurance preferences for low-probability losses and for basis risk used in index insurance, and evaluating expected welfare gains or losses from insurance decisions.

Although take-up and profits are commonly used to evaluate whether the insurance product meets regulatory numbers or short-term profit targets, they are not necessarily suitable as a measure of the insured's welfare benefit (or cost) from the insurance product. **Welfare evaluation is required to design better insurance products** that enhance the welfare of the insured, or when calculating the welfare effects to conduct a social cost-benefit analysis of the insurance product.

However, we cannot solely rely on take-up to evaluate the individual's welfare benefit (or cost) from insurance. Since purchasing insurance is risky, as it involves uncertain future payouts, we must also consider risk attitudes, impatience and subjective beliefs of risk when assessing the demand for insurance.

Randomised control trials (RCTs) are also widely used to evaluate programmes and policies. Although RCTs allow strong causal statements to be made about observables, there are limitations to this method. Some factors, such as tariffs, macro policies or certain health interventions, cannot be randomised. RCTs can assess the cost-effectiveness of a certain treatment, but they cannot evaluate the costs and benefits of allocating resources to this intervention relative to alternative interventions. RCTs can only make causal statements on observable data. To assess something unobservable, such as welfare, the additional application of theory is required.

Although laboratory experiments do not generate results that are universally true, they can act as a "wind tunnel". Starting experiments in the laboratory can be a low-cost way of understanding methodology by saving time, money and effort. In this way they complement field experiments. In the lab, the experiment need not exactly resemble the field conditions, but it should be judged by its impact on understanding, rather than its external validity. To have control over an experiment, it is sufficient to satisfy three conditions:

- Non-satiation. Having more of the reward is considered by the subject to be better.
- Saliency. The rewards between experiment alternatives have to be different enough so the subject is not indifferent to the alternatives.
- Dominance. Rewards gained from experiment alternatives are large enough to dominate any subjective participation costs.

CEAR then discussed the application of these concepts based on three of its experiments conducted in the insurance context.

For the first experiment, field studies suggested that **people tend to under-insure against low-probability, high-loss events.** Previous experiments on insurance for low-probability, high-impact losses had concluded that more insurance is purchased as the loss probability increases.

The CEAR team members improved on previous experiments by keeping their design simple and reflective of actual insurance choices made. They also used salient rewards with real monetary payments and non-abstract wording. Their results led to the opposite conclusion: more insurance is in fact purchased in the case of low-loss probabilities. The team conducted a simplified version of the experiment with participants of the seminar, and the results yielded the same conclusion.

5 — Todd Swarthout, Georgia State University, United States, discussing experimental methodologies for demand and welfare evaluation with participants.

6 — Glenn Harrison, Georgia State University Center for the Economic Analysis of Risk (CEAR).

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Much research has been done on index insurance to investigate why demand for this type of insurance appears low. Possible reasons offered in the literature include low financial literacy, high prices, lack of trust, basis risk, pre-existing informal forms of risk sharing, and the degree of risk aversion, with no clear consensus on the actual reason why. A lab experiment in this respect can offer an inexpensive and controlled complement to field experiments to help understand what is causing this low take-up.

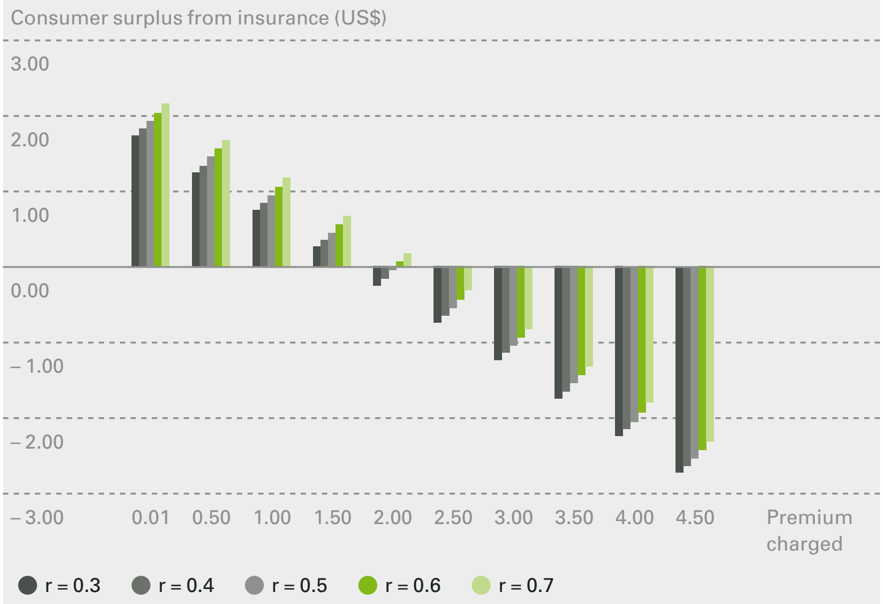
The second lab experiment conducted by the CEAR team during the seminar showed that subjects were ***more* likely to purchase insurance in the presence of basis risk than without basis risk**.

The third experiment described the method of evaluating an individual's expected welfare gain from insurance, given estimates of risk preferences. The experiment was made up of two tasks: the first elicits risk preferences and the second elicits insurance choices. Risk preferences not only affect whether the insurance product provides an expected welfare gain or loss to the individual; they also affect how much that expected welfare gain or loss is. Figure 1 depicts how the consumer surplus (CS) would vary for increasing relative risk aversion (r) as the insurance premium varies. The results from this lab experiment show that **insurance take-up does not necessarily reflect an expected welfare benefit from the insurance product,** and there is significant foregone expected welfare gain as a result of subjects' insurance take-up choices.

Lessons learnt

- Behaviour plays a key role in describing insurance decisions, as it provides a structural understanding of insurance purchases.
- Behaviour underlies the valuation of insurance decisions. It impacts the evaluation of expected consumer surplus by breaking down how much of an error could come from making the wrong decision, or how much of the error is from using the wrong model to evaluate the insurance decision. Behaviour also impacts the calculation of long-term profitability and expected profitability from new products.
- The three components of behaviour that should be considered when evaluating the benefits of insurance are risk attitudes, time preferences and subjective beliefs.
- Lab experiments and field experiments should complement each other to help better understand insurance decisions.

Figure 1
Expected welfare gains across premiums for varying risk aversion levels



Source: Harrison, Glenn W. Presentation "Welfare evaluation of insurance". 10th International Microinsurance Conference 2014.

More information

http://cear.gsu.edu/

Pre-conference seminar 2

Mass and microinsurance: consumer protection in inclusive insurance markets

3rd Consultative Forum, November 2014, Mexico City, Mexico

The Consultative Forum is hosted by the Access to Insurance Initiative, the International Association of Insurance Supervisors and the Microinsurance Network. The meeting provides a platform for exchange between insurance supervisors and participants from the insurance industry. It focuses on topics and strategies connecting regulation, supervision and policy, as well as on industry action, and it provides opportunities for feedback and guidance to each stakeholder group.

Mass insurance and microinsurance both contribute to creating more inclusive insurance markets. However, they have certain differences and commonalities in terms of the channels they use, the products they offer and the clients they serve. Both offer most prospective clients of inclusive insurance markets their first experience with insurance (see Figure 2).

Effective consumer protection is required in inclusive insurance markets to help consumers understand and develop confidence in insurance. Clarifying the differences between the two business models of mass insurance and microinsurance will help people understand how they both improve access to insurance, what industry can learn from one model or the other, and how supervisors can strike a balance between risk, industry incentives and consumer protection while reducing the compliance burden.

In terms of **distribution channels,** mass insurance mostly relies on non-traditional channels while microinsurance relies on both traditional and non-traditional channels. Traditionally, microfinance organisations and cooperatives, insurance and microinsurance agents, brokers and banks have driven microinsurance product development and sales. More recently, mass distributors, the so-called non-traditional channels, including retailers, utility companies, pharmacies, post offices, bill-payment spots, pawnshops and mobile network operators (MNOs), have been driving the growth of mass and microinsurance products. In terms of **products,** both models have simple products and feature few exclusions. However, mass products are designed primarily to be suitable for the kind of channels that carries them and their needs, whereas microinsurance products are designed to meet the protection needs of the low-income segment. In terms of **clients,** mass insurance addresses the wide-ranging client base of the mass channel, irrespective of their socio-economic status, whereas microinsurance primarily addresses the low-income segment. Client segments for the two models can overlap but are not necessarily the same.

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7 — Peter van der Broeke, IAIS, Switzerland.

8 — Left to right: Mariana Torres, ATERNA, Mexico, Alejandra Díaz, Fasecolda, Colombia.

9 — Left to right: Maria Victoria Saenz, Lead Specialist, IADB, United States; Peter van der Broeke, Member of the Secretariat, IAIS, Switzerland; Norma Rosas, VP of Analysis and Industry Studies, Insurance and Surety National Commission, Mexico; Hector Carreon Aldana, Director of Evaluation and Financial Development, CONDUSEF, Mexico; Carol Justo, Abogada, SBS, Peru.

"Mass insurance is part of the microinsurance agenda."

Andrea Camargo, MICRO, UK

"We should think of an inclusive insurance regulation and not of a mass or a micro insurance regulation."

Alejandra Diaz, FASECOLDA, Colombia

"Client protection is that they understand what they buy."

Mariana Torres, ATERNA, Mexico

"Products need to be simpler and we should facilitate comparisons between products and prices."

Norma Rosas, Comisión Nacional de Seguros e Fianzas, Mexico

The nature, reach and negotiating power of non-traditional distribution channels bear certain consumer protection challenges.

The primary goal of non-traditional distributors is not to provide insurance. These channels add insurance to purchases, services, payments or airtime to either strengthen their core business or to leverage their large client base. They own the client relationship and are the interface to the client. This can lead them to demand levels of compensation from insurers that may be onerous. Most of them are from the non-financial world, and hence do not fall under the purview of the insurance or banking supervisor. Potential consumer protection challenges related to this situation can be: the consumers may not be aware that they are insured; they may not make an informed choice; the cover offered may not be based on client needs; weak client services or recourse options that do not work for low-income clients and small covers; and mis-selling because of sales staff not being familiar with insurance.

Mass insurance offers a huge potential for "leveraging opportunities in new markets" – but also comes with certain limitations and threats.

Using mass channels, insurers can tap a new and large market segment, reaching scale by piggy-backing insurance onto other products and services that are accessed by broad population segments. Non-traditional channels, also called aggregators, can be expected to know their clients' needs, but they are not always concerned with the nature of their clients' insurance needs. Inclusive insurance products are often limited in cover and value proportionate to the low premium levels. In terms of technology-based distribution approaches, additional risks are the misuse of data and the risks related to the use of SIM cards or e-wallets. The commission structures also need to be analysed carefully to ensure that they are not unreasonably high, which has been observed in a lot of cases.

Figure 2
Rationale of mass and microinsurance

	Mass insurance	Micro insurance	
Channel	**Non-traditional channels:** retailers, utility companies, post offices, trade unions, pharmacies, mobile money agents, mobile network operators	**Traditional channels:** MFI, organisations, cooperatives, microinsurance agents/agents, brokers, banks and **non-traditional channels**	Inclusive Insurance Markets
Product	**Simple products, designed by the channel** (life and non-life)	**Simple products, designed for needs of low-income** (life and non-life)	
Client	Adresses a wide ranging **client base of the mass channel**	Adresses **the low-income segment and their protection needs**	

Source: Wiedmaier-Pfister, Martina. Presentation "Mass and microinsurance: Consumer protection in inclusive insurance markets – trends and challenges". 10th International Microinsurance Conference 2014.

10 — Manuel Aguilera, President, CNSF, Mexico, during the opening of the 3rd Consultative Forum.

11 — Left to right: Felipe Botero, Microinsurance Centre, USA; Andrea Camargo, MICRO, UK; Bento Zanzini, MAPFRE, Brazil.

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Pre-conference seminar 2
Mass and microinsurance: consumer protection in inclusive insurance markets

Lessons learnt for insurers

Product value is very important in policies that are mass-marketed. Value will generate trust and increase take-up over time.

Importantly, both mass and microinsurance should offer product features that are SUAVE[1]. Simple and understandable product features are crucial, e.g. explaining via "icons" what is covered and how claims are assessed. Insurers should offer products to aggregators that match the clients' needs, as the aggregators know the clients.

Demand studies and client behaviour research are important.

This can help to design financial education strategies, and also products and processes that are adequate and respond to the clients' needs. Knowing exactly what the clients need to understand will help sharpen financial education efforts. Behavioural research should become an important and ongoing component of market research, product development and marketing strategies.

A careful choice of the channel includes sound compensation strategies and client-centricity.

Regarding the compensation for the channel, insurers need to develop strategies to maintain moderate commission levels, otherwise they can make the products expensive. Some channels might be "too extensive" and not have the right contact with the clients or not be able to deal with a certain type of client or product that offers value.

Fairness to the client

In low-income environments, fairness to the client includes providing sufficient advice, accessible and prompt post-sales services, claims processes that are simple and rapid, and a well-trained sales force for any kind of channel the insurer uses.

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SUAVE = Suitable, Understandable, Affordable, Valuable and Efficient

Lessons learnt for regulators

Regulators need to advance regulatory innovation, which remains a balancing act.

Proportionate approaches are required that incentivise the industry by lowering compliance burdens and at the same time protect consumers by allowing innovative channels such as banking correspondents to market simple products, anti-money-laundering requirements that are not prohibitive and client data protection without creating an administrative burden.

Effective consumer protection needs to look at the claims process and the data.

Regulators should monitor and analyse industry claims performance. Often the claims requirements and processes may not be well explained in mass marketing and claims ratios have been observed to be rather low. Supervisors could monitor claims processing periods and related ratios themselves, or require industry self-regulation. In the latter case, the monitoring system can be implemented by the industry associations. In any case, these business lines need separate data sets to enable the right supervision and learn from experience.

Having two different sets of regulations, for mass marketing and microinsurance separately, can create confusion in the industry and allow regulatory arbitrage.

Both business models deal with simple products and processes, with few exclusions and a client segment that is often new to insurance. In countries where two different regulations have been developed for mass and micro, regulatory arbitrage has been observed. Instead, a single, overarching, dedicated regulatory framework for financial inclusion that incorporates all insurance types could encompass the advantages of both types of regulations in the areas of innovative channels, high-value products and fair treatment of consumers.

"In mass distribution, we need to ask if the sales staff is sufficiently focused on the interest of the policyholder."

Peter van den Broeke, IAIS Secretariat

"As traditional approaches don't work, the company's mindset needs to be a different one."

Bento Zanzini, Mapfre

"Even though there are a great number of products, most people don't understand these."

Hector Carreon, CONDUSEF, Mexico

More information

www.a2ii.org

www.iaisweb.org

www.microinsurancenetwork.org

Pre-conference seminar 3

The ILO's Microinsurance Forum[2] – Making PPPs work

The ILO's 7th Microinsurance Forum focused on the topic of "Making public-private partnerships (PPPs) work" and was attended by more than 100 microinsurance providers, risk carriers and several representatives from government agencies. With successful partnerships, insurers can open new markets and reach scale while complementing social programmes to reach public policy objectives.

The PPP framework presented (Figure 3) is a useful tool for understanding the development stages of a PPP. Challenges can be encountered in all the stages, but can be very prominent during the implementation stage, particularly when roles and responsibilities have not been clearly defined by the partners. This stage normally involves finalising role definitions, operational rules and guidelines, as well as the monitoring and evaluation strategy.

The framework review was followed by a plenary discussion in a talk-show format. It featured cases from Mexico, Peru, Colombia and India as a springboard to lessons and effective strategies to make partnerships between the private sector and government work.

Discussing the Peruvian experience, Lourdes del Carpio from La Positiva Seguros emphasised the importance of quality data. In **Peru**, the risk identification process during the design stage was difficult as there is not much data produced on agricultural production or risks. Over the last five years, however, private companies have been generating this data and sharing it with the government, which hopefully will improve the quality of data for future programmes.

The relevance of a transparent tendering process, with clear rules and incentives to attract the first companies to the programme, was also highlighted. According to Lourdes del Carpio, the procedures in Peru are not well-defined in any laws and, as they depend mostly on public employees, they change very often.

The situation in **Mexico** is different. According to the consultant Jesus Escamilla, the rules of selection are very clear and the participation of private companies has even increased since the beginning of the programme, with 35 % of the total premium of US$ 229 million insured by private companies.

The importance of a clear upfront definition of roles as a way of not overloading partners and guaranteeing that all the functions are performed efficiently was also discussed. A case in point is the experience in **India**, recounted by Rajbir Chadha from HDFC-Ergo General Insurance. It shows that insurance companies in a PPP assume many roles in addition to risk-carrying, including local promotion, publicity and enrolment, which can become a bit overwhelming.

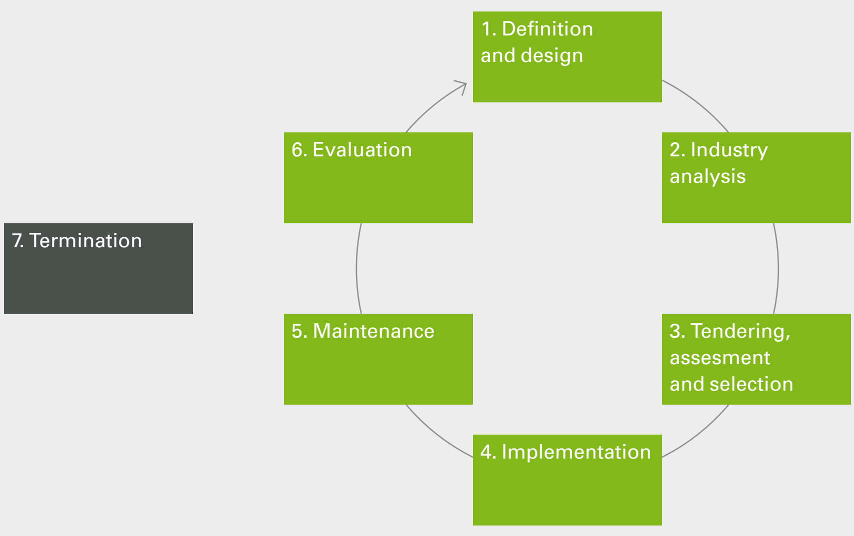
A last crucial point discussed refers to the need to design partnerships with sustainability in mind. Mariana Paredes from Marulanda Consultores pointed out that in **Colombia**, both the government and insurance companies realised that the programme failed to factor-in sustainability in the beginning. The claims payment was much higher than expected, but somehow it worked as a demonstration effect and as a learning experience for the actors involved.

Miguel Solana from the ILO's Impact Insurance Facility wrapped up the session, emphasising that PPPs can take many different shapes, but still face common challenges that need to be overcome to promote quality insurance at scale.

Making PPPs work in disaster and agriculture insurance: how governments can engage with the private sector.

The participants identified many roles that governments can take to support market development, beyond subsidies. For instance, governments can provide quality data and other relevant information to stimulate the willingness of the private sector to take greater risks.

Figure 3
The seven stages of the public-private partnership framework



Source: the ILO's Impact Insurance Facility.

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The ILO's Microinsurance Forum provides an open environment for sharing experiences and exchanging lessons on issues that matter the most in improving microinsurance practice. Organised by the ILO's Impact Insurance Facility since 2008, each Forum is designed using highly participatory facilitation techniques, and leverages powerful cases from the Facility's partners to generate insights and valuable interaction among participants.

Pre-conference seminar 3
The ILO's Microinsurance Forum – Making PPPs work

They can also provide infrastructure for product design, enrolment, premium payment and claims handling, which reduces the costs linked to agricultural insurance and facilitates the buy-in of the insurance industry.

Another point raised in the session is that governments have an active role in consumer protection, both by educating the clients and providing adequate infrastructure and appropriate tools for this to be done and by monitoring programmes to protect consumer interests.

As a last point, participants discussed the importance of governments acting as reinsurers to cover major catastrophes or disaster events. Given the magnitude of these risks, a public reinsurer's support can generate incentives for private companies to enter the market.

Making PPPs work in health insurance: challenges and solutions to quality health care, health care financing, and partnership management

The main challenges that emerged in the discussion about access to quality health care were the quality of the facilities, providers' reputation, poor products, bad pricing, lack of information and transparency, and lack of understanding by clients and providers. Solutions to address these issues can be classified in two main categories: provider-side solutions (such as technology and use of data) and client-side solutions (such as sales and marketing with education).

On the topic of health care financing, the discussion revolved around subsidies. Even though most participants agreed that subsidies are required, it was underlined that contrary to current practice, government subsidies should be directed at the supply side of health care (such as building quality health providers) instead of the demand side.

As for partnership management, trust was the number one challenge identified, followed by managing partners' expectations. While these are issues, planning was identified as a good solution, as it increases transparency and reduces the potential for mistrust.

Making public private partnerships work in financial inclusion: challenges and strategies to implement PPPs for financial inclusion

Working with public institutions was one of the major challenges identified, owing to bureaucracy, self-interest of politicians and diversity of public interest. Political changes were also pointed to as a major barrier, as a change of political leadership may result in the termination of a project, which makes it difficult to pursue long-term initiatives.

An interesting solution that emerged in the discussions was to create an institution that is independent of the political system. This is better achieved if an independent entity (donor or multilateral agency) leads the process. In this platform, public and private sectors set a long-term agenda that is not driven by political changes or short-term objectives.

Lessons learnt

On PPPs in disaster and agriculture insurance

— Governments play a major role in covering catastrophes or disaster events.

— Governments can provide expertise and data to facilitate the growth of the sector.

— Educating the clients can help PPP programmes flourish.

On PPPs in health insurance

— Technology, data and sales and marketing with education are tools for overcoming problems in regard to health insurance products.

— Sharing planning and information helps build trust and manage expectations.

— Supply-side subsidies may be more effective than demand-side ones.

On PPPs in financial inclusion

— Setting up an independent institution led by a donor or multilateral agency can help overcome the impact of frequent political changes.

More information

www.impactinsurance.org

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12–13 — Over 80 participants discussed challenges and success factors of PPPs.

14 — Craig Churchill, Head of the ILO's Impact Insurance Facility, opening the session.

Agenda

Day 1 afternoon sessions
11 November 2014

Press conference

Dirk Reinhard
Vice-Chairman, Munich Re Foundation, Germany

Recaredo Arias
CEO, AMIS, Mexico

Michael J. McCord
President, MicroInsurance Centre, United States

Craig Churchill
Chairman – Microinsurance Network, the ILO's Impact Insurance Facility, Switzerland

Opening

Welcome addresses

Mario Vela
President, AMIS, Mexico

Thomas Loster
Chairman, Munich Re Foundation, Germany

Craig Churchill
Chairman – Microinsurance Network, the ILO's Impact Insurance Facility, Switzerland

Manuel Aguilera
President, CNSF, Mexico

Keynote
Marco Antonio Rossi
CEO, Bradesco – President of CNseg and FIDES, Brazil

Findings from the study "The landscape of microinsurance in Latin America and the Caribbean"

Michael J. McCord
President, MicroInsurance Centre, United States

Facilitator
Recaredo Arias
CEO, AMIS, Mexico

Plenary 1

The role of insurance associations in supporting market development

Alejandra Díaz
Director, Federación de Aseguradores Colombianos, Colombia

Leila Moonda
General Manager, SAIA, South Africa

Recaredo Arias
CEO, AMIS, Mexico

Raul De Andrea
General Manager, APESEG, General Secretary, FIDES, Peru

Facilitator
Craig Churchill
Chairman – Microinsurance Network, the ILO's Impact Insurance Facility, Switzerland

Opening and welcome addresses

Mario Vela, president of AMIS, welcomed the delegates and said the conference was relevant for Mexico as the country continued its efforts to help low-income people improve their quality of life. There is a potential market of 50 million people in Mexico, Mr Vela added. "Microinsurance plays a key role, because exposure to risk aggravates their vulnerability. To develop this market, what we need is more flexibility in regulation, more cooperation of the private sector and more collaboration of the government."

On behalf of **Munich Re Foundation, Thomas Loster, chairman,** said: "We are pleased and proud to be here to celebrate the 10th anniversary of the conference. Mexico is one of the most important countries for microinsurance development. The main objective is to protect the most vulnerable, and Mexico has been taking notable steps. Already 20 million lives in the low-income sector are covered."

An exemplary feature of the Latin American market development is that there are numerous products with no or little government subsidy, Mr Loster added. "And a good sign at this conference is that one third of the participants are from the insurance industry. From the very beginning, one of our goals has been to engage more mainstream insurers and reinsurers in microinsurance."

Adding his recollections, **Craig Churchill, Chairman of the Microinsurance Network,** said microinsurance has evolved radically since the conference's inception. "Just think of mobile insurance, for one thing. I didn't even have a mobile phone in 2005!"

Participation in these conferences has been a turning point – an "Aha!" moment – for numerous practitioners, he said. "Thousands of participants have been treated to a smorgasbord of ideas and experiences – generating synergies and linkages. A notable achievement of the conference is that, while keeping pace with the times, it has kept coming back to fundamentals."

The same could be said of the transformation of the ILO's Microinsurance Innovation Facility to an Impact Insurance Facility over the past year, Mr Churchill said. "Equitable development in low-income markets continues to be our goal as advocacy, aimed at the public and private sectors, succeeds the focus on innovation. With this change the ILO wants to enable microinsurance to have an even greater social and financial impact." Looking ahead, he said, "I cannot guarantee that there will be a 20th conference – but I wouldn't be surprised if there is."

On behalf of the government, **Manuel Aguilera, President of the Comisión Nacional de Seguros y Fianzas (CNSF),** said the most vulnerable people in society should be able to leave their desperate conditions behind. "Towards that objective, we appreciate the conference's capacity to summon many people from various disciplines for an exchange of knowledge and experiences."

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CNSF is Mexico's insurance and surety bond regulator; the entity responsible for regulating the insurance and surety bond markets as well as promoting development of the two sectors.

Social migration is a global phenomenon, Mr Aguilera said. "Almost two billion dollars every year comes to Mexico from abroad. People here depend on these remittances, and we are going through a learning curve to analyse strategies and best practices to develop products to cover these remittances as well as the people sending and receiving them. It's good to see the conference devoting a session to this topic."

The development of simple and right products is at the core of Mexico's national strategy for financial inclusion, Mr Aguilera added. "We now have new credit-worthiness and solvency regulations in Mexico. Public policies recognise the need for a larger number of low-income people to acquire means to improve their life conditions."

"Mexico is one of the most important countries for microinsurance development, with products for low-income people already covering 20 million lives."

Thomas Loster, Chairman, Munich Re Foundation, Germany

"Marketing developments signifying a move away from 'micro' to 'mass' should be a matter of concern. The 'mass' market may or may not include the 'micro' market. We should not let low-income people get lost in the 'mass'."

Michael McCord, President, MicroInsurance Centre, USA

15–16 — Manuel Aguilera, President, CNSF, Mexico.

17 — Mario Vela, President, AMIS, Mexico.

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

19 — Craig Churchill, Chairman of the Microinsurance Network and Head of the ILO's Impact Insurance Facility, Switzerland.

20 — Recaredo Arias, CEO, AMIS, Mexico.

21 — Michael McCord, President, MicroInsurance Centre, USA.


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Keynote speech

Marco Antonio Rossi,
CEO, Bradesco,
President of CNseg and FIDES

It is, without question, a great honour to be here at this historical moment, ten years after the first conference in Munich, when around 90 people gathered to get to know the conclusions of twenty case studies of microinsurance operations that were conducted in several parts of the world.

Since then, this conference has become a fundamental platform of information on the development of this important segment of the insurance industry. It is important, especially at a time when society is increasingly concerned with matters such as social cohesion and the improvement of life conditions in big and small cities, with their central problems. It is in that scenario that microinsurance strengthens its role as an inducer of inclusion. And it is here, in this great forum, that we are once again gathered to exchange experiences and build networks, with the objective of promoting the development and the dissemination of insurance protection services to the low-income population.

In the last 10 years, almost everything has changed. The Microinsurance Working Group of CGAP, a historical partner of Munich Re Foundation in this conference, has transformed itself into the global network of microinsurance, the Microinsurance Network. Munich Re Foundation has significantly enhanced its range in the leadership of issues relevant to the world in which we live. The number of partners has expanded, and today it encompasses academia and insurance supervisors. The audience has also grown significantly, with today 500 people attending this conference.

I cannot fail to mention that access to technological means of communication has been universalised. Mobile phones, to mention only one of the technologies in widespread use, nowadays serve low-income populations, encompassing the whole insurance cycle from the development of new products, to their sale, premium payment and claim settlement. But one thing remains the same: this conference brings together professionals from all around the world, who want to make this world a better place to live in!

As citizens, we must urgently broaden our involvement in the processes of change. And the projects we build for the future must always be shared with all the parties involved: governments, market authorities, the private sector and society in general. The public and private sectors must be imbued with the spirit of searching for management mechanisms that routinely aim at ensuring the well-being of individuals and groups.

Extremely dedicated and efficient teams have made it possible to arrive at this particularly historical edition of the 10th International Microinsurance Conference, with the growing success that is apparent to everyone. The culmination of all this hard work is a great demonstration of the magnitude of a task that strives for collective well-being. To the faithful and inseparable partners since its creation, I dedicate a particular greeting to Thomas Loster and Dirk Reinhard, representing the Munich Re Foundation team, and Craig Churchill and Véronique Faber, representing the Microinsurance Network team.

This is the third time that a country in the Inter-American Insurance Federation (FIDES) has had the honour of hosting this event, which has taken place before in Rio de Janeiro in 2011 and in Cartagena de Indias in 2008. As the President of FIDES, I appreciate this and express my gratitude.

Governments must strive to include low-income people in the formal economy and its protection. Inherent to this is perceiving the importance of the interactions with this group and all that it represents in terms of social development and new visions of the world. While society has become more complex for us as a social order, we are the ones who need to create new formats of action that incorporate that complexity. That means changing our attitudes and creating innovative products and services that increasingly demonstrate our social role and disposition for integrating visions and providing security.

According to a 2012 World Bank study, the middle class in Latin America amounted to 103 million people in 2003, and six years later it comprised 152 million – an expansion of 50% in that social class. That is quite expressive. In Brazil, what we call the new middle class spends around one trillion reals annually, which makes it the 18th biggest consumer as a nation in the world. In a few minutes, the President of the MicroInsurance Centre, Michael McCord, will present to us a much more detailed overview of the microinsurance scenarios in Latin America and the Caribbean, based on his large-scale research in the region this year.

Today's insurance industry is already capable of providing adequate coverage for a reasonable cost to a considerable part of that population. This reality would not show such a wide range, if it weren't for the work of the institutions that are represented here. The efforts are shown in the detailed mapping, the in-depth research, the technological fields, distribution channels, coverage and premium adjustments, sales channels training, wording simplification, claims settlement and many other things.

All of these shared experiences have provided and continue to provide fundamental elements to the insurance industry, its partners and the insurance supervisors in their strategies for monitoring operations and adapting controls to this new scenario.

Another consequence of this experience is the constitution of the vast library of microinsurance that is available today, having as main titles Volumes 1 and 2 of the Microinsurance Compedium, available in several languages, including English, Spanish and Portuguese, which serve the region of Latin America and the Caribbean.

One of the lessons learnt is the necessity of using multiple distribution channels, given that the main objective is to reach out to the consumer wherever he or she might be at an adequate cost. That means the revaluation of old paradigms. In that new perspective, traditional brokers begin to live together with bank correspondents and microinsurance correspondents. On the other hand, new approaches to getting closer to the consumer, using call centres, internet, mobile phones, POS, ATMs, etc. allow products to be offered that cater to demand and services that are more agile and that go beyond the traditional in-person approach.

The economic rise of the low-income populations has been a constant in the region, and that benefits the development of protection instruments that are increasingly more innovative in order to cater to this new demand.

The innovations that were demanded by the microinsurance operations ended up being incorporated by the traditional business models and benefited the whole sector. While reinventing itself in order to service the needs of the consumers even more intensely, the insurance industry has also modernised itself, and its social role has gained a better public perception with the creation of microinsurance, a product that has in its DNA the constant concern with the low-income classes and assuring the dignity of the families concerned.

The search for innovation by means of solutions attached to microinsurance has generated an admirable effect as an answer to the programme that was launched by the ILO's Impact Insurance Facility, including 19 projects in Latin America, the Caribbean and North America, 17 of which contemplated innovation and two, training. One of them, which has become quite representative because of its targeted audience, was the Estou Seguro Project, developed in the community of Favela Santa Marta in Rio de Janeiro. Its products achieved their objectives and were largely publicised by the microinsurance market players.

Another initiative that deserves to be highlighted in this context is the FIDES Programme for Microinsurance Development in Latin America and the Caribbean, with the financial support of the Inter-American Development Bank (IDB) and the Multilateral Investment Fund (FOMIN), which is designed to launch microinsurance projects for the low-income population in Brazil, Colombia, Guatemala, Mexico, Peru and Venezuela.

If financial inclusion allows access to predictable goods and helps in unpredictable moments, there will always be a need for insurance, and in situations that are least expected.

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22 — Keynote by Marco Antonio Rossi, CEO, Bradesco, Brazil, President of CNseg and FIDES.

Keynote speech

Microinsurance is a safeguard for the assets of the low-income population, which, as we all know, they accumulate with great effort. The experts describe an irregular path to overcoming poverty for the poor. In times of income growth, they advance, but when subject to impacts and financial difficulties, they reverse.

The role of microinsurance is to help change that zigzag into a straight and ascending line, reducing the negative impact of unforeseen financial events in the life of the low-income population, mitigating the risks and contributing to their social inclusion, which is one of the central missions of the insurance industry.

A significant number of microinsurance products show the potential to play an important role in complementing the social protection programmes of governments in the developing world designed to bridge the gap between the poor and the wealthy.

Microinsurance empowers women, giving them financial independence and providing self-determination in family and reproductive planning. It can also reach groups that are excluded by the official pension schemes, such as informal and rural workers. It shows potential to reach the real aspirations of the low-income population, because in general the products are developed with the participation of the targeted public, and the alternative distribution channels incorporate members of the community in the sale of insurance, promoting a better distribution of the financial benefits.

In order to try to understand the consumer habits, the *modus vivendi* and risks to which the low-income communities are exposed, the sector has in recent years invested in research in low-income communities. Two of these "experiential" research initiatives that were executed by Bradesco Seguros, regarded favela da Rocinha in Rio de Janeiro and Heliópolis in São Paulo, and their results will be available on the FIDES website before this conference is over on Thursday.

The agenda of society and our countries is in line with the objectives of this conference. Our region has been experimenting with positive change in the composition of the socio-economic pyramid, even though we have not reached the goal of eradicating extreme poverty altogether.

According to the Report on the Millennium Development Goals of 2014, the world has reduced extreme poverty by half. Microinsurance programmes have without doubt contributed to that success, but we still have a long way to go. The situation demands a focus on the inclusive growth and the expansion of social protection. Insurance is therefore one of the instruments that are capable of leveraging the improvement in the population's quality of life.

In light of all these reflections, we must recognise that the industry has relied on valuable partners in facing the challenge of getting to know the new customers and reinventing itself to service them.

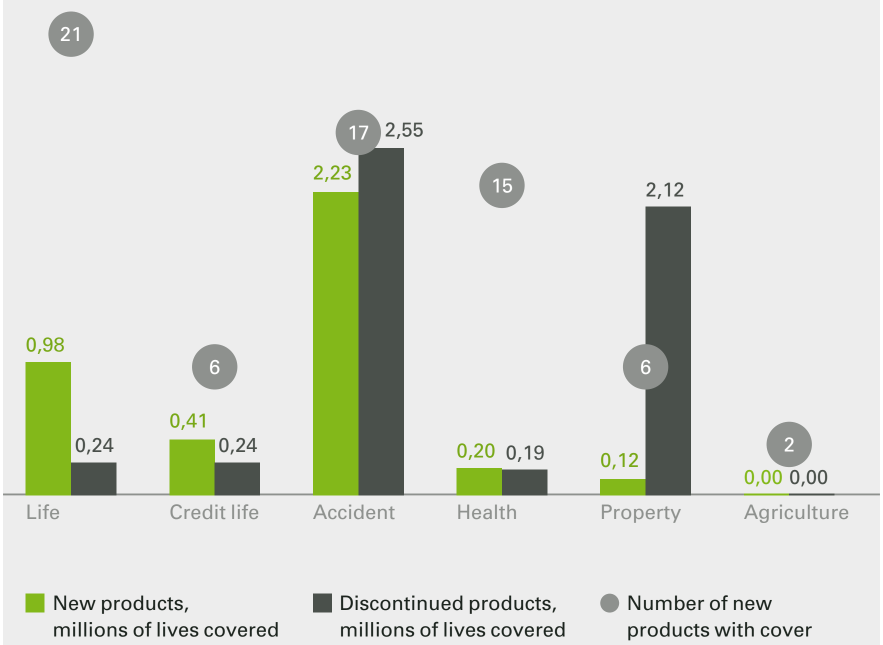
Looking to the future, other concerns will emerge beyond what we have been talking about up to now and what we will talk about in this conference. We have three days to present and discuss the most pertinent microinsurance issues in 4 plenary and 16 parallel sessions, together with specialists from different parts of the world, who will do their best to demonstrate good and productive work.

Finally, we have learnt from all our experiences, that building partnerships is a crucial element in accomplishing the goals and reaching out to a greater number of people. In that sense, **I firmly believe that governments and insurance companies can adhere to programmes that contemplate projects with a social focus, in order to share with the value chain of our businesses the challenges that are presented in our region, such as the occurrence of increasingly severe and frequent natural catastrophes,** the scarcity of resources, longevity and health care in the delicate phase of retirement. We, and I, as a participant in the insurance industry, but mostly as a Latin American and Brazilian citizen, need to firmly believe that together we can overcome all these issues in order to provide a better world to our children, grandchildren and the rest of humanity.

Thank you.

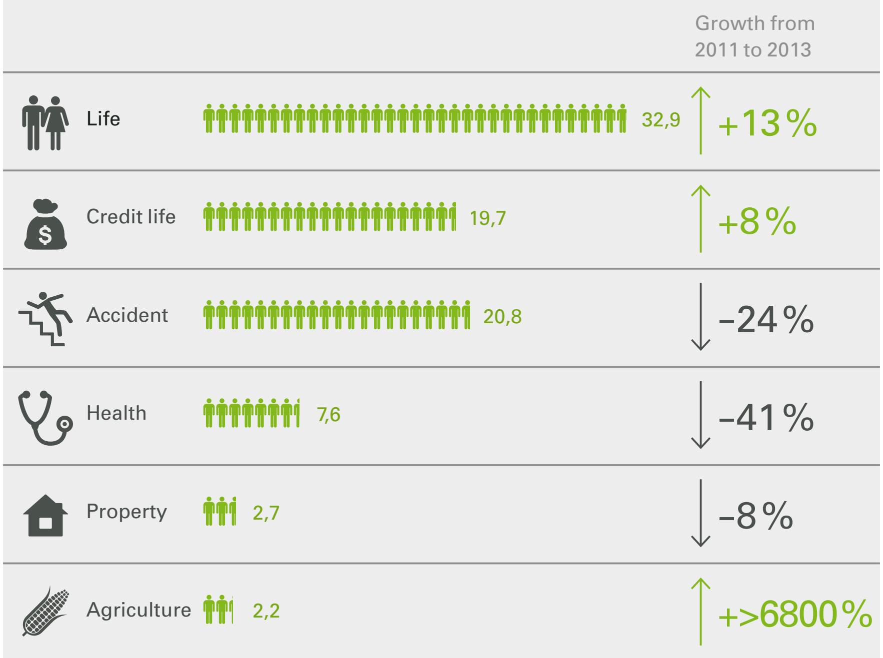
The landscape of microinsurance in Latin America and the Caribbean

Figure 4
Supply landscape in Latin America and the Caribbean – New products launched since 2011



Source: McCord, Michael. Presentation "Landscape of Microinsurance in Latin America and the Caribbean 2014". 10th International Microinsurance Conference 2014.

Figure 5
Coverage by product types (million people insured)



Source: McCord, Michael. Presentation "Landscape of Microinsurance in Latin America and the Caribbean 2014". 10th International Microinsurance Conference 2014.

The landscape of microinsurance studies published by the Microinsurance Network and Munich Re Foundation is part of a larger World Map of Microinsurance (WMM) project. The WMM aims at providing key data on microinsurance worldwide. Preliminary findings on new developments in Latin America and the Caribbean were presented at the conference.

About 15 % of Mexico's population is now covered by microinsurance. This is the highest figure in Latin America and the Caribbean and slightly ahead of the 14.6 % in Colombia, according to the latest landscape study of the region. A preliminary briefing note of the study was distributed at the conference and at the opening session its key findings were presented by Michael McCord, President of the MicroInsurance Centre (USA). Coverage in Mexico is concentrated, with only four companies covering 80 % of the country's microinsured.

Across the region the number of people covered (by at least one microinsurance policy) has grown by 2 % since 2011, to 48.6 million. The annual growth rates for 2005–2011 were 14 %. The market has begun to mature, and is making rational decisions. In Latin America, unlike Africa, the market has been commercially driven, and it is becoming stronger. However, 85 % of all identified covers are still life or personal accident, and relatively few people are reached with health, property and agriculture policies. Over the past four years, 46 new products were launched in the region, but 31 existing products were discontinued (see Figures 4 and 5).

The landscape of microinsurance in Latin America and the Caribbean

The study also showed that very high commission rates are being charged by distribution channels, which may be one reason why more insurers are taking on microinsurance on their own, without a broker. Among key performance indicators, the median loss ratio was only 25 %, implying limited value for the client. The overall trend in the region is towards mass-market insurance. Of the 31 products discontinued, most were changed for the mass market. Distribution, too, has been changing from high-touch to low-touch and 75 % of it is now accounted for by alternative (non-MFI) channels.

The prevalence of terms like emerging consumer and impact insurance also signifies a move away from *micro* to *mass*. Even though the mass market is said to include the micro market, the low-income sector may get lost in a mass market that ends up focusing more on the middle-class sector of the mass market. Take for example the client income-level breakdown of BIMA, a mass insurer operating on scale in Africa, Asia and Latin America. In Ghana and Bangladesh, 88 % and 99 % respectively of its clients are classed as low-income, earning less than US$ 10 a day, but a vast majority of them in both markets are at the upper end of the scale (see Figure 6).

Microinsurers have learnt over the years that good insurance for the low-income market has specific characteristics that go beyond simply the low premiums and low benefits that define mass market products (see Box 1).

Box 1

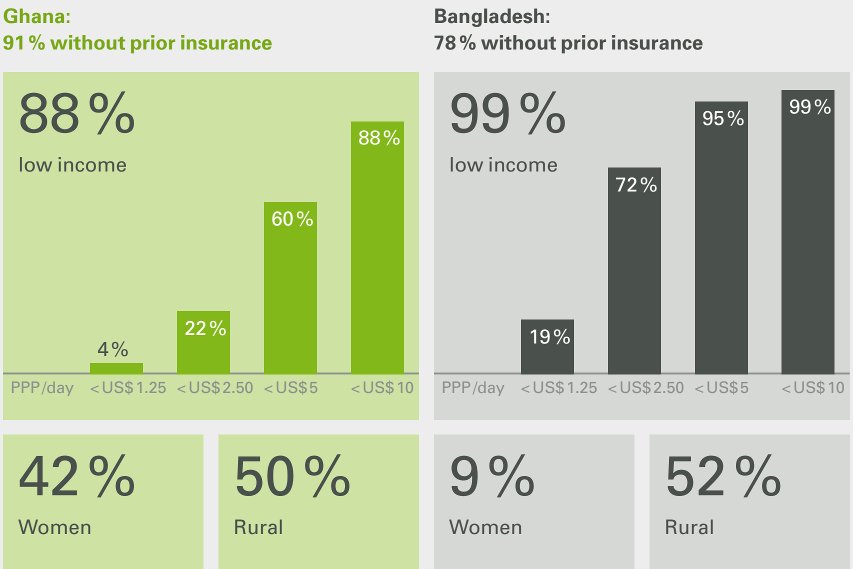
Insurers
50 % of insurers currently not in the market have plans for mass insurance, vs. 33 % for microinsurance.

Key performance indicators
— Premiums
— Claims

Distribution
More use of typically passive, mass market channels

Source: McCord, Michael. Presentation "Landscape of Microinsurance in Latin America and the Caribbean 2014". 10th International Microinsurance Conference 2014.

Figure 6
BIMA Global Survey Results (2013)



PPP is purchasing power parity, adjusting the relative value of different currencies.
The percentages represent % of BIMA's total customer base in those markets.

Source: Duncan, Samantha. Presentation "A profit-with-purpose approach to mass market insurance". 10th International Microinsurance Conference 2014.

More information:

www.microinsurancelandscape.org

www.worldmapofmicroinsurance.org

Microinsurance coverage in Latin America

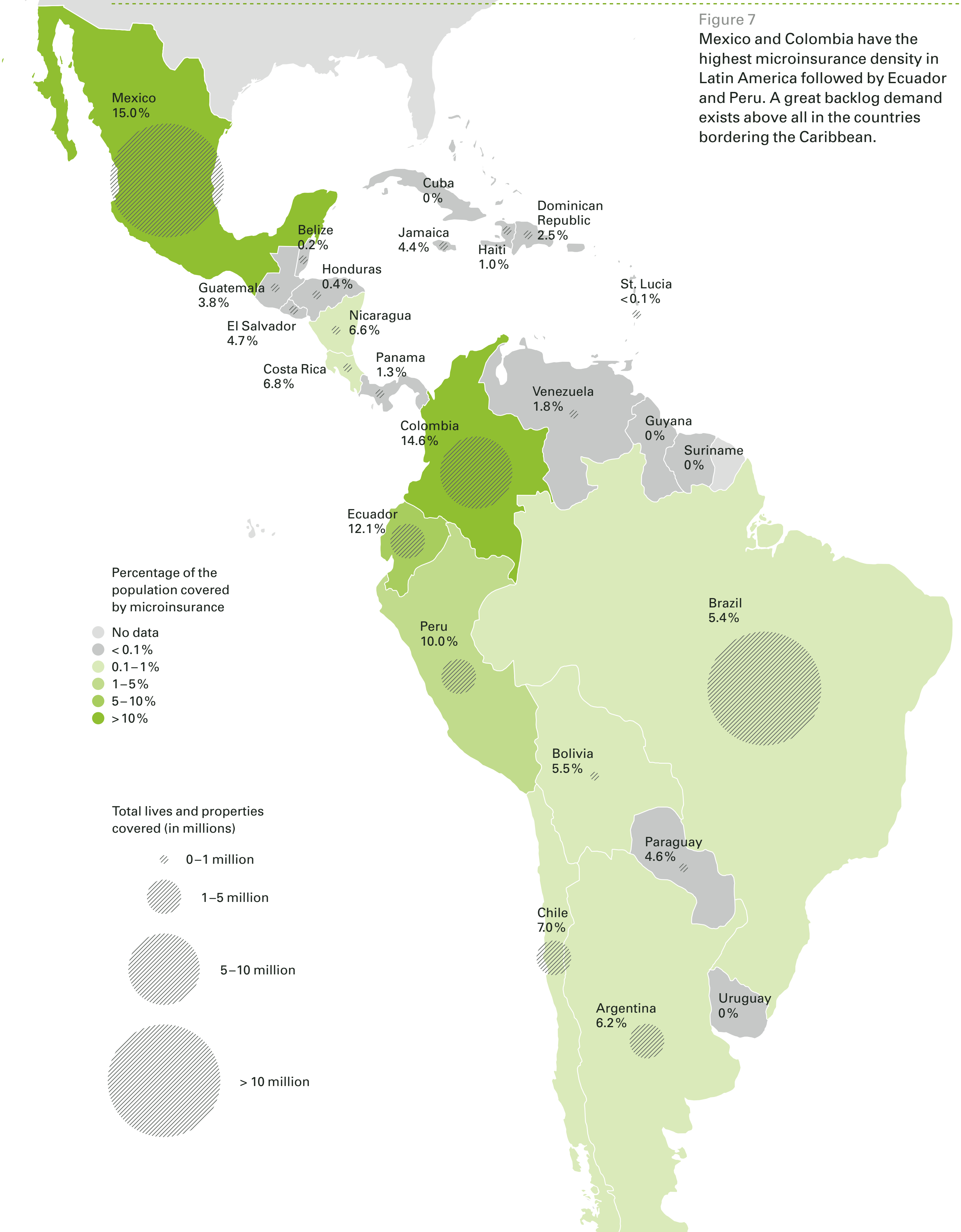


Figure 7
Mexico and Colombia have the highest microinsurance density in Latin America followed by Ecuador and Peru. A great backlog demand exists above all in the countries bordering the Caribbean.

Plenary 1

The role of insurance associations in supporting market development

An insurance market goes through three main stages of development – emerging, diversifying and competitive – as products, distribution and clientele grow. Two key indicators at each stage are quality and scale. From the microinsurance perspective, the mature competitive stage would have a high coverage level of low-income populations and multiple quality insurance products offered and distributed through diverse channels. In each market the insurance association can play an important role in helping member companies move through the market's emerging and diversifying stages to the competitive state (see Figure 8).

This plenary reviewed what insurance associations from four countries – Mexico (AMIS), South Africa (SAIA), Colombia (Fasecolda) and Peru (APESEG) – are doing to accelerate microinsurance market development. Three main aspects of an inclusive insurance market were discussed: the insurance environment (policy, regulations and public-private partnerships), demand and supply.

Environment: reaching out to government

In the ideal state of an inclusive insurance market, there would be microinsurance-friendly regulation, consumer protection and efficient public-private partnerships to extend social protection. On the regulation side, **AMIS, Fasecolda** and **APESEG** see a need to influence regulation to improve the penetration of microinsurance. A key issue they point out is the removal of barriers on alternative distribution channels. The regulatory environment in their countries is a bit defensive about the use of these distribution channels. In Colombia, for example, "non-bank correspondents (agents)" cannot be used to sell insurance products – which limits the scope of microinsurance companies.

On the other hand, the insurance associations also suggest positioning the insurance industry as an ally of public policy. In three countries (South Africa, Peru and Mexico), there are public-private partnerships to increase access to agricultural insurance in poor rural areas. The partnerships in the three cases are quite similar; the insurance product is distributed through existing private insurance companies, and subsidised (and in some cases reinsured) by public entities.

Demand: starting with basic financial literacy

In an ideal inclusive market the public would be well informed about products offered, have a high level of trust in insurance companies and a strong insurance culture. Those objectives can in part be reached by increasing financial literacy through educating consumers and setting up effective mechanisms of consumer-grievance resolution.

With regard to consumer education, **insurance associations acknowledge the need to improve insurance culture in low-income communities, and trust in the insurance sector.** In South Africa, some public-private partnerships have worked to educate consumers about insurance through different campaigns: community workshops, commuter awareness (on buses and trains), television programmes, teacher training, and community radio financial literacy. Lessons drawn from this experience included:

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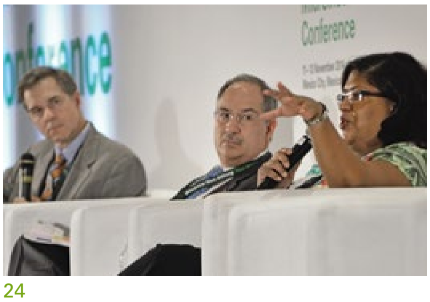

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23 — Alejandra Díaz, Director, Federación de Aseguradores Colombianos, Colombia.

24 — Left to right: Craig Churchill, the ILO's Impact Insurance Facility, Switzerland; Recaredo Arias, CEO, AMIS, Mexico; Leila Moonda, General Manager, SAIA, South Africa.

- face-to-face workshops are particularly effective but costly;
- the use of media platforms is useful to ensure message retention through repetition;
- messages should be transmitted in the audience's language;
- consumers require basic financial literacy before tackling insurance products.

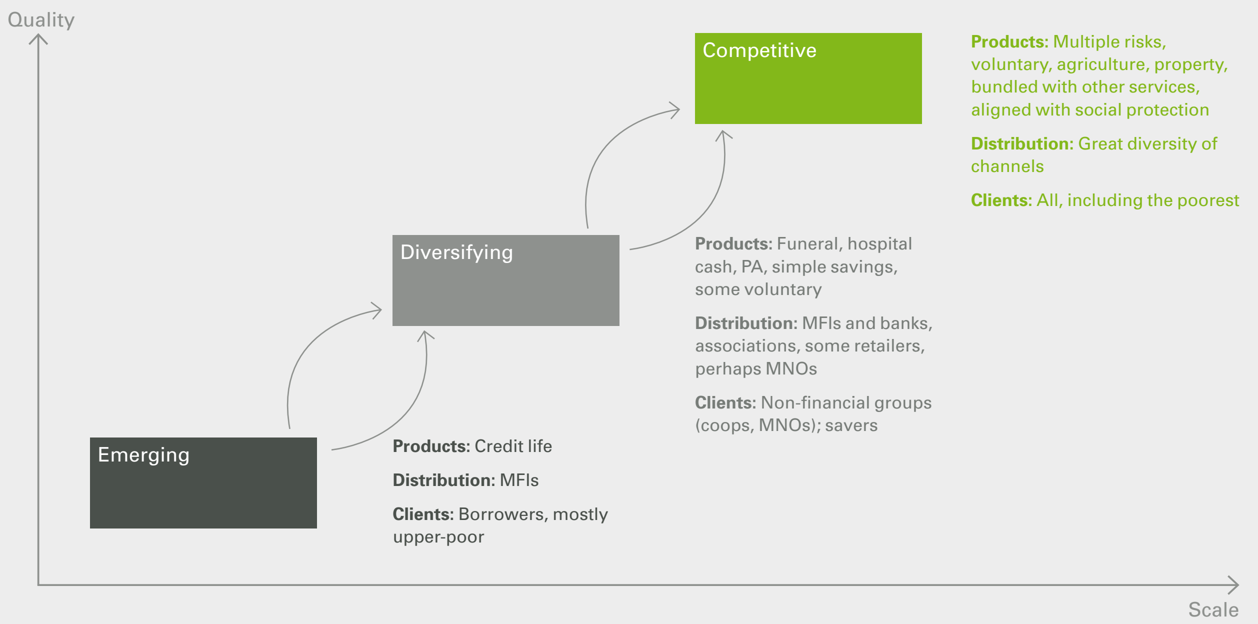
However, Fasecolda pointed out that in its experience in Colombia, although consumer education helps change the knowledge of the people, it does not necessarily generate a change in their behaviour.

AMIS, pursuing consumer education as a part of its social responsibility, believes an early start holds a greater chance of shaping behaviour. It has since 2010 organised insurance education contests for elementary school students, so children can learn to identify and prevent risks and know the importance of being insured.

In Peru and Colombia, financial education campaigns have demonstrated the need to focus on the distinction between private insurance and government welfare schemes – particularly how microinsurance complements and supplements any social assistance consumers may expect. Both Fasecolda and APESEG also emphasise the need to educate and train staff members of insurance companies, to make them more able to sell products, to trust in what they sell and to resolve possible claims and conflicts.

As for clients' grievance resolution entities, Colombia and Mexico do not have an agency dedicated to microinsurance complaints. Their existing agencies also deal with other kinds of financial products. In both countries, complaints are mainly linked to a lack of information provided about the microinsurance products sold. Colombia has a self-regulation consumer protection code for insurance companies, including practices to make grievance resolution easier and faster for policyholders.

Figure 8
Stages of market development



Source: Churchill, Craig. Presentation "The role of insurance associations in supporting market development". 10th International Microinsurance Conference 2014.

Plenary 1
The role of insurance associations in supporting market development

Supply: monitoring and improving performance

An inclusive insurance market would on the supply side have an insurance industry convinced that the low-income market is viable, and that offers relevant products to that sector. An insurance association can help member companies create such products, and then monitor and improve how well they continue to serve the low-income sector.

To monitor the performance of members, insurance associations have used diverse strategies. Mexico, Colombia and Peru have entities that are in charge of reporting and evaluating the behaviour of insurance companies. **One of the possible challenges is to have access to transparent data and to create an information-reporting culture in the insurance industry.** Colombia has taken a step beyond operational performance, in an initiative evaluating insurers using social performance indicators.

To improve the performance of members, each insurance association has deployed its own strategy. **SAIA** devised new product standards for its members, in order to ensure that products are appropriate for the market, easily understandable and comparable, and able to build consumer trust. APESEG insists on market research to identify the real needs of the target population. AMIS lobbied for financial reform measures that became effective in 2014 – including the creation of a Financial Institutions Bureau to keep an eye on companies' commissions and fees and any unsound practices, with the mandate to impose administrative sanctions. Fasecolda promotes courses for insurance companies to share good practices and lessons learnt.

25 — Raul De Andrea, General Manager, APESEG, and General Secretary, FIDES, Peru.

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Lessons learnt

— Insurance associations play an important role in helping member companies contribute effectively to products, distribution and client outreach in successive stages of insurance market development.

— There is an ongoing need to foster an enabling environment for microinsurance development, adapting the regulatory framework to ensure the viability of the low-income sector and creating efficient public-private partnerships.

— Consumer education is a key step towards building an insurance culture in low-income communities – and it needs to be reinforced with greater trust in insurance and insurance companies by the public.

— Low-end consumers require basic financial literacy before being educated in insurance.

— To improve and maintain quality on the supply side, insurance associations need to ensure access to transparent data generated and shared willingly by members.

More information

www.fasecolda.com/index.php/ramos/microseguros/comite/

www.amis.com.mx

www.apeseg.org.pe

www.saia.co.za

Agenda

Day 2 morning sessions 12 November 2014

Plenary 2

Lessons learnt in index insurance

Peter Wrede
World Bank, United States

Joachim Herbold
Senior Underwriter, Munich Re, Germany

Domingo Quintans
Risk Management Consultant, MGAP, Uruguay

Paula Pagniez
Sr Microinsurance Specialist, Swiss Re, United States

Jon Hellin
Poverty Specialist, International Maize and Wheat Improvement Center, Mexico

Facilitator
Daniel Osgood
Research Scientist, The International Research Institute for Climate and Society, United States

Parallel session 1

Consumer protection (Education)

Consumer protection and financial education in the Brazilian insurance market

Solange Beatriz Palheiro Mendes
Executive Director, Brazilian Insurance Confederation – CNseg, Brazil

Pure intentions and practice: Connecting education, information, and marketing to consumer protection outcomes

Emily Zimmerman
Research Associate, EA Consultants, United States

Consumer protection interventions according to different microinsurance market development stages

Miguel Solana
Technical Officer – Microinsurance, the ILO's Impact Insurance Facility, Switzerland

Facilitator
Brigitte Klein
Head of Sector Project Financial System Development, GIZ, Germany

Parallel session 2

Distribution (Mobile)

From freemium to premium – mobile distribution 2.0

Jeremy Leach
Director, BFA, South Africa

Emerging distribution models in mobile microinsurance/ m-insurance and their value alignments

Premasis Mukherjee
Specialist and Practice Group Leader, MicroSave, India

Solidaria de Colombia

Claudia Palacio
National Sales Manager, Aseguradora Solidaria de Colombia, Colombia

Facilitator
Brandon Mathews
Managing Director, Stonestep, Switzerland

Parallel session 3

The relevance of actuarial work for non-actuaries

IAA/Milliman health microinsurance – Pricing tool update

Michael Weilant
Consulting Actuary, Milliman, Inc., United States

How the actuarial control cycle can help you develop and manage your microinsurance business

Eamon Kelly
Actuarial Consultant, United Kingdom

Facilitator
Denis Garand
President, Denis Garand and Assoc., Canada

Parallel session 4

Agro 1

Using remote sensing technology to enhance the quality and efficiency of index insurance in India

Rachel Sberro
Financial Sector Specialist, World Bank, United States

Mexico CADENA program: Experiences, comments and a look into the future

Horacio Perez
Senior Consultant, Munich Re, Mexico

Satellite innovations for scaling up index insurance

Francesco Rispoli
Technical Adviser, Rural Finance, International Fund for Agricultural Development (IFAD), Italy

Facilitator
Daniel Clarke
Senior Disaster Risk Financing and Insurance Specialist, World Bank, United States

Plenary 2

Lessons learnt in index insurance

Index insurance has been on the agenda for 20 years now. This plenary discussed lessons learnt and the challenges that remain in building up sucessful, sustainable schemes.

Index insurance was introduced to address shortcomings of traditional indemnity-based agricultural schemes – particularly claims settlement costs. A claim is not triggered when the farmer experiences a loss, but when a predefined index is surpassed or undercut. The insurer does not need to monitor and assess individual losses on hundreds of farms; only the area's weather gauge or a regional average yield has to be monitored. The use of such an index brings complexity and gives birth to basis risk, that is, the potential of the payout, as measured by the index, falling short of the actual loss. This complication has added to the burden of insurance being well understood by farmers and then integrated into a broader risk-management strategy.

26 — Peter Wrede, Senior Insurance Specialist, World Bank, United States.

27 — Left to right: Domingo Quintans, Risk Management Consultant, MGAP, Uruguay; Joachim Herbold, Senior Underwriter, Munich Re, Germany; Jon Hellin, Poverty Specialist, International Maize and Wheat Improvement Center, Mexico.


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Challenges in index insurance

In Latin America, Mexico adopted index insurance in recent years through the CADENA[3] public programme, and Peru has been offering it for five years now. Both programmes are 100 % premium-subsidised and underline the importance of government involvement in successful schemes. Even if great progress has been made over the years in product design, at times leading to an increase in product demand, some commonly accepted principles of index insurance do not always apply:

First principle: index insurance is best for protecting individual farmers. Some limits are yet to be overcome: low correlation (values should be benchmarked against indemnity-based schemes) between the trigger and actual yield causes basis risk for farmers and reputation risk for insurers and reinsurers; there are often not enough weather stations to ensure a relevant index; policies are difficult to understand; and regulatory approval is not granted everywhere. Participatory processes involving farmers and other stakeholders at all product development stages can help communicate, and at times overcome, these concerning risks.

Second principle: index insurance means lower transaction costs. Loss adjustment costs are indeed reduced, but marketing and policy administration costs are the same, and product development costs are much higher than for traditional insurance. Donors continue to play a role in ensuring that high product development costs can be covered.

Third principle: index insurance allows access to individual farmers. However index insurance marketing is not that easy. Alternative approaches could be encouraged, such as bundling insurance with credit or inputs, or selling policies through producer or local agricultural extension organisations, with enough reach to ensure scalability.

Lessons from macro- and meso-level index insurance

The World Bank is part of numerous projects involving indices, most of which are, strictly speaking, not micro-insurance schemes. For example, the World Bank provides governments with feasibility studies, technical assistance for product structuring, data collection and index monitoring, ensuring index integrity. It can also help industries to get insured, giving them access to the international market of reinsurance.

Index insurance is attractive, but not always feasible. Feasibility studies have been the first step to help drive the design of viable and appropriate products. And when a feasibility study shows that based on the current data, an index that correlates well enough with the losses to be insured cannot be found, it may still provide clues about other solutions or by-products that can be developed, for example to improve the data.

Those studies focus, among other things, on data availability, basis risk estimation, scheme sustainability (how engrained is a government's commitment to subsidies?), regulatory frameworks, the need to transfer risk outside (in the case of small countries), and exit strategies.

The World Bank finds that all insurance markets are not familiar with index insurance, and that it is seldom regulated. Yet the regulation of index insurance is important, in order to provide a reliable legal framework that attracts insurers, and so that supervisors can safeguard consumer protection and product quality.
Index insurance (and more generally agriculture insurance) is rarely viable unless both private and public players are around the table. Making sure that all stakeholders have a suitable level of understanding so that they can discuss index insurance projects at eye level requires special attention but is key to the success of index insurance.

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Comité de Ayuda a Desastres y Emergencias Nacionales (Assistance Committee for National Disasters and Emergencies)

Transparent easy-to-operate tools for indicative pricing (with user manuals) is one instrument that the World Bank has found very useful in this context, as it allows those without insurance expertise to understand the mechanics that drive premium and coverage.

Time and collaboration for more suitable products

For Swiss Re, fostering financial inclusion is a real concern. Since 2006, a dedicated team has launched around 40 solutions in cooperation with governments and the micro-sector, most of which are index insurance. Swiss Re brings in its technical experience, and works with other partners like insurers or mobile companies to gather additional knowledge, extremely valuable for the project and its fruition.

Governmental implication is key, and PPPs enable many more people to be reached. But projects are also successful thanks to donors, and even more so to MNOs. Those players will make the difference.

28 — Paula Pagniez, Senior Microinsurance Specialist, Swiss Re, United States.

29 — Daniel Osgood, Research Scientist, The International Research Institute for Climate and Society, United States.


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The products launched are designed from the bottom up, with a constant sharing of experiences. This promotes the fast development and distribution of suitable product. Basis risk is often cited as a problem, but it can be handled by other players.

Projects begin small, and their effect must be considered over the long term, in order to have time to learn from them. Index insurance is one solution, developed in special circumstances (lack of data, need for innovation); time is needed to adapt it properly.

The appropriate environment to introduce index insurance

Two types of index insurance are being developed in Uruguay. One covers rainfall excess in horticulture. It is a microinsurance pilot, targeted at individual farmers. A second pilot experiment, an NDVI[4]-based grassland macroinsurance bought by the government, will begin in 2015.

The horticulture product for rainfall excess insurance was launched at the micro-level because an adequate framework has been in place for seven years in the form of an exchange platform on insurance including discussions on other risks such as hail. Farmers and their organisations were formally consulted from the beginning. Also helpful has been Uruguay's propitious regulatory framework, developed with international cooperation. Plus, there is limited basis risk in this index insurance because of a tight network of weather stations in the pilot area.

During the implementation stage, the PPP proved to be critical, as did getting producers to understand the product. However, the toughest task was to meet producers' needs.

The next steps consist of achieving consensus between all the authorities in proceeding with index insurance and the creation of a dairy product. Index insurance is to be encouraged when appropriate (relevant index, favourable framework, farmers' approval), and should not be implemented otherwise.

Lessons learnt

- Insurance is not *the* solution, but merely *a* solution, which must be integrated in a broader risk-management strategy.
- Feasibility studies are a key initial step to ensure a functioning index insurance scheme or enhance alternative solutions.
- Insurance is commercially viable only if integrated in an institutional framework, including government support, and if based on stakeholder feedback.
- Index insurance is to be encouraged when appropriate, and should not be implemented otherwise.
- Index insurance has the potential to offer a value proposition by increasing accessibility for farmers to the vast amount of available agricultural technology, leading to increases in productivity that can help pay for the insurance.

More information

www.iri.columbia.edu/fi

www.cimmyt.org

www.munichre.com/en/reinsurance/business/non-life/systemagro/index.html

www.swissre.com/global_partnerships/

www.mgap.gub.uy

www.worldbank.org

www.ccafs.cgiar.org/index-based-insurance

4 Normalized Difference Vegetation Index

Parallel session 1

Consumer protection (education)

This session discussed consumer protection within the microinsurance sector, with a particular focus on the role of education and information in promoting consumer protection. The consumer is defined broadly to include individual or group policyholders, other beneficiaries and prospective purchasers. Consumer protection, defined as the "effective use of microinsurance products by low-income consumers to protect themselves against risk[5]," is a cross-cutting challenge that requires the engagement of all stakeholders.

Financial education and information initiatives

Education and information disbursement are particularly critical in achieving client protection, and different initiatives are appropriate in different settings. Education and information campaigns can be targeted at the public at large, directly at customers either before or after the purchase of insurance, and at insurance agents or others who interact with consumers. Providing information and education to consumers can increase their financial literacy, help improve decision-making around insurance and enable them to use insurance more effectively, all of which can benefit both consumers and providers. However, not all approaches are equally effective in promoting all of these different benefits. For example, a case study conducted by **Fasecolda**, the Colombian insurance association, found that providing broad financial education to the public was effective at increasing general awareness of insurance but less so in generating a deep understanding of it.

A broad range of different approaches to providing product-specific information is used by providers, and there is no clear best practice regarding what is most effective. In the Philippines, regulation leaves providers with flexibility in the approach taken, and providers have responded by using many different approaches. Generally, some combination of a verbal explanation and documentation seems best-suited to promote consumer understanding. It is important for providers to seek feedback from consumers and others about the effectiveness of their communication and adapt their approach accordingly.

Providing support to the agents or others who interact with clients can also support positive consumer protection outcomes. **Compartamos,** an MFI in Mexico, gave its loan officers informative posters to help them explain insurance to clients. Feedback from the loan officers and clients indicated that they found the tools useful, and sales of voluntary insurance increased accordingly.

Client protection interventions by market development stage

There are four stages of market development in microinsurance: emerging, growing, diversifying, and competitive (see Figure 5). Each distinct stage calls for different products and targets different clientele, meaning that client protection interventions must also be designed for each stage.

During the emerging market stage, focus should be on risk awareness and providing basic life insurance that offers real value to beneficiaries. Insurance regulators must increase their capacity to understand and regulate products, processes and innovations in the microinsurance industry, and the industry itself must also strengthen its capacity to understand and service the low-income market.

For growing markets, information about products should be available to clients, beneficiaries and the general public. Financial literacy should be encouraged for the general public. Various actors within distribution channels, such as microfinance institutions and retailers, should increase their understanding of microinsurance, and the industry should work towards achieving self-regulation.

Within diversifying markets, new insurance products are being brought into the market, so more information regarding these products and their processes must be provided to consumers. Mechanisms for client questions and complaints have been successfully implemented in Brazil, and present a way to ensure financial soundness of providers.

For competitive markets, insurance education should focus on specific products, and a consumer protection agency should be put in place for clients. Mechanisms for comparing different products should be established, and a dialogue platform should be created for various stakeholders.

Throughout all four stages, a variety of stakeholders should be involved, and the voice of microinsurance consumers represented. The four stages are not cast in stone, and different insurance industries will go through individual learning curves while determining the most natural way to develop appropriate products.

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30 — Left to right: Brigitte Klein, Head of Sector Project Financial System Development, GIZ on behalf of BMZ, Germany, and Emily Zimmerman, Research Associate, EA Consultants, United States.

5 Zimmerman, Magnoni, & Camargo, (2013), "Pure intentions and practice: Challenges and good practices in consumer protection in microinsurance". The Microinsurance Network.

Consumer protection and financial education in Brazil

Brazil has a large insurance market, and microinsurance complements existing public policies that provide insurance and protection for Brazilians. The Brazilian Insurance Confederation, **CNseg,** works with the governmental regulatory body in proposing changes to legislation and public policy and suggests new initiatives. It also develops financial education campaigns focusing on insurance, and conducts research for the insurance industry. Dialogues with the regulatory body have resulted in the country's existing Microinsurance Legal Framework, which establishes guidelines for selling and distributing microinsurance, guarantee limits, limits of insured amounts and deadlines for claim payments.

CNseg developed and implemented a pilot project from 2010 to 2013 to test different communication mechanisms to achieve a change in perception of insurance in a low-income urban population in Rio de Janeiro. The project sought to convey the message that insurance is accessible to anyone, and having insurance can be a very important factor in mitigating financial fluctuations arising from unexpected events. Aiming at complementing that project, CNseg distributed a booklet within the community, in comic book format, showing everyday scenes of a low-income family, whose story shows insurance as a protection for maintenance of the income level.

The Confederation is also engaged in the National Strategy for Financial Education, which is conducted by the federal government and includes the participation of private-sector representatives. The strategy aims at promoting financial education and knowledge of social security and increases the ability of citizens to make informed choices about the management of their resources. In addition, it contributes to the efficiency and soundness of financial markets, capital, insurance, private pension plans and capitalisation sectors.

The industry in Brazil has developed an online platform (www.tudosobreseguros.org.br) that provides information on all types of insurance to potential consumers. CNseg has also designed an online platform geared towards children and youths. It contains concepts about insurance and began a campaign of "extended warranty" for insurance products sold through retail stores to provide clear and comprehensive information to consumers.

Lessons learnt

- Financial education is crucial for consumer protection, and must be designed carefully and subject to ongoing evaluation to ensure that it fulfils its purpose.
- Multi-stakeholder approaches to client protection are more effective than single efforts. These approaches can be driven by a ministry or governmental body or by private stakeholders.
- Appropriate interventions for client protection differ based on the stage of market development. Since stages are flexible, interventions should be tailored to each country's market.
- Risk mitigation can serve as the focal point of a financial education strategy for the low-income sector, particularly students, senior citizens and women.

More information

www.cnseg.org.br/cnseg/microsseguro

www.tudosobreseguros.org.br

www.impactinsurance.org

www.eac-global.com

31

32

31 — Solange Beatriz Palheiro Mendes, Executive Director, Brazilian Insurance Confederation – CNseg, Brazil.

32 — Miguel Solana, Technical Officer – Microinsurance, the ILO's Impact Insurance Facility, Switzerland.

Parallel session 2 Distribution (mobile)

Among various channels insurance companies use to reach their clients, mobile distribution, or m-insurance, is growing fast and becoming one of the most significant in reaching scale. More than six billion mobile phones are subscribed in the world, presenting enormous potential for increasing the microinsurance coverage of low-income people. This session discussed mobile distribution models and the challenges they raise.

M-insurance needs to be strategic

M-insurance started off slowly in 2003. By 2006 there were three initiatives. Eleven years later there are 105, mostly in Africa and Asia (see Figure 9).

At its beginning, m-insurance was transactional, while the insurance company mainly used the infrastructure of an MNO to offer services to the customer. Little by little, the insurance companies started to engage the mobile operator in a more powerful way. In this strategic m-insurance approach the insurance companies use the infrastructure and marketing support of the mobile operator. Such a strategic relationship between insurance companies and MNOs can help achieve higher scale. A survey in Ghana showed that 70 % of the people preferred to buy insurance from the mobile operator than from the insurer, suggesting that mobile operators are more respectable and trustable.

Some m-insurance models have emerged as "sprinters," because of their potential for rapid growth. **Telenor** Talkshawk reached 400,000 people in two months in Pakistan, and **Ecolife** 20 % of the adult population in seven months in Zimbabwe. Sprinters like these are powered by international technical service providers.

A characteristic of many m-insurance sprinters is that they are based on the loyalty model. The insurance is "free" for clients, because it is offered in return for something they use (for example, airtime). Clients are not necessarily requesting the insurance, so there is a need to "activate" them – that is, enable them to request the insurance. The combination of the free model with the premium model, through "freemium," is an opportunity for m-insurance to make clients more aware of their access to insurance products.

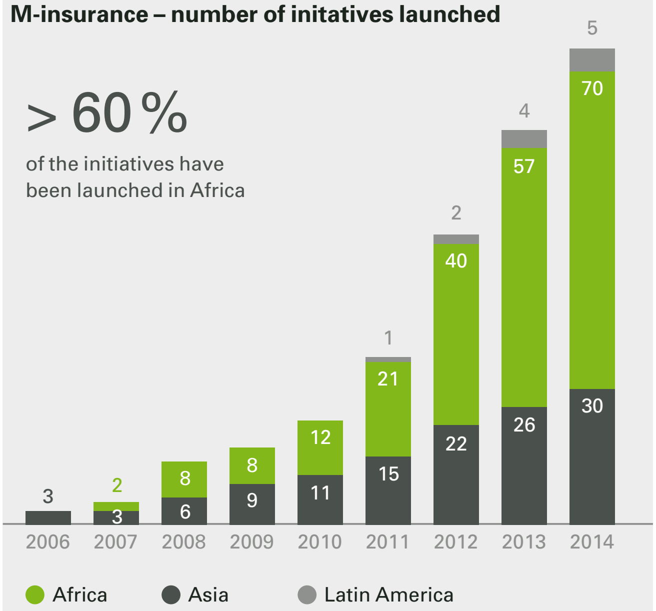
Strategic m-insurance raises other challenges too. It helps insurers reach tremendous scale, but has to be counterbalanced in some cases by "high touch" (with a physical contact between the client and the insurance seller). Mobile distribution may not always be adequate, particularly for complex insurance products.

Aligning values across the distribution chain

Apart from the MNO-led microinsurance distribution, which nowadays is the dominant model, other distribution channels are emerging in the mass market, such as bank agent networks. They belong to what can be termed the digital finance industry.

The use of these alternative distribution channels can benefit both the insurers and distributors. While insurers can achieve scale and use the client bases of the channels to collect premium at a higher frequency, the digital finance players can gain income by opening additional accounts. Nevertheless, insurers and digital finance channels have different needs and interests. Insurance is based on acquisition incentives, and is not a high-transaction business like banks or mobile operators. With infrequent insurance transactions beyond the initial flurry, financial incentives for digital finance channels to operate microinsurance can begin to decline. To remain a value enhancer, m-insurance needs to understand the distribution value chain and focus on the interests and incentives of various stakeholders across the chain.

Figure 9
M-insurance – number of initatives launched



Source: Leach, Jeremy. Presentation "From freemium to premium: mobile distribution 2.0". 10th International Microinsurance Conference 2014.

33 — Jeremy Leach, Director, BFA, South Africa.

33

A starting point for insurance companies is to better understand the business model of the partner stakeholders in the distribution value chain. MNOs and bank agent networks are interested in m-insurance as a function of their business cycle. MNOs start to be interested in m-insurance when they are at maturity level, where the market starts to be saturated and the cost of client acquisition goes up. At that time, m-insurance can represent a way of attracting more clients, with the MNO looking particularly at how clients will respond to the insurance offer.

The same logic exists for bank agent businesses. An estimated 30 to 50 % of the bank agents leave their network within a year because they are not sustainable for the bank. Then, mobile microinsurance could represent a third-party product to sustain the bank agent business. The question for the agent is to establish whether insurance is an opportunity and what the appropriate product to sell would be. With a greater understanding of such value-chain partners, insurance companies can offer them suitable mobile microinsurance products.

A hybrid approach in Colombia

Aseguradora solidaria, whose social purpose vision is to be the preferred insurer of the solidarity sector and its families and businesses, is one of the most significant insurance companies in Colombia. It found that in that sector most people do not trust insurance companies, with 6 in 10 feeling that insurance brings more benefits for those selling it than for those purchasing it. Keeping that in mind, one of the company's key challenges is to continue promoting awareness of the impact of microinsurance on the lowest-income populations.

In practice, Aseguradora Solidaria combines mobile distribution with physical distribution channels to convince people to get insured. Its varied partners in the field include funerary networks, public utilities and financial services companies such as Western Union. These different channels generally involve an individual selling the desired product to the clients who can pay the premium through different options (via utilities bills, remittances, etc.).

For example, a package of products sold door to door includes funeral services as well as coverages for life, accident, household assistance, and food and supplies. The chosen covers are registered and the policy delivered via a mobile device. The premium is later collected through the utility bill. Food and supplies is an unusual but popular product, guaranteeing for a limited time the basic costs for food and home supplies up to US$ 1,800.

Though the physical contact is central in distribution, each channel follows a communication plan to convince its clients of the microinsurance offered. The hybrid approach has three guiding points: easy issue, easy collection and easy claim payment. The company now insures more than 4 million people, or 8.8 % of Colombia's population, who in 2013 paid an average monthly premium of US$ 5.50.

Lessons learnt

- Strategic mobile-insurance distribution has huge potential to increase insurance coverage for low-income populations.
- M-insurance is increasingly taking off in emerging markets, and requires the strategic backing of MNOs and other channels.
- The distribution channel has to be adapted to the insurance product.
- Microinsurers have to better understand the distribution value chain and the value proposition of various stakeholders across the chain if they are to offer suitable insurance products.
- High-tech mobile distribution can in some cases be successfully combined with high-touch personal contact with the client – particularly in the low-income sector.

More information

www.aseguradorasolidaria.com.co/seguros_colombia

www.microsave.net

www.bankablefrontier.com/our-clients/insurers

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35


36

34 — Premasis Mukherjee, Specialist and Practice Group Leader, MicroSave, India.

35 — Claudia Palacio, National Sales Manager, Aseguradora Solidaria de Colombia, Colombia.

36 — Brandon Mathews, Managing Director, Stonestep, Switzerland.

Parallel session 3

The relevance of actuarial work for non-actuaries

Too often, microinsurance practitioners do not have the necessary knowledge to estimate the real cost of a product and its guarantees, or to determine how they may be calculated. This session disclosed actuarial tools that may be used by non-actuaries to clarify the process of product pricing.

The control cycle

The framework and process of product pricing are described by the "control cycle". When applying this method, three main areas are to be considered and studied: stakeholders, business process and environmental factors.

The successive steps of the control cycle are environment and context knowledge, problem specification, solution design, data analysis, model building, communication, implementation and monitoring. If the monitoring metrics deteriorate, the model has to be designed again. Further communication is needed, implementation, monitoring… (see Figure 10). The first steps do not require actuarial skills, but they are of utmost importance.

Case study

An MFI in Vietnam, which has added credit life microinsurance to credit since 2006, was taken as an example. In 2014, a review brought the feedback that the product was of poor client value. An upgraded version of the product is to be launched in 2015, and this new product needs new pricing.

Box 2

Credit life microinsurance in Vietnam

Member death benefits
VND 3,000,000 (~US$ 140), reduced to 50 % if age at death is 65 or older

Spouse death benefits
VND 1,000,000 (~US$ 47), reduced to 50 % if age at death is 65 or older

Child death benefits
Identical to spouse death benefits

Eligibility
All MFI members between 18 and 55 – no exit age

Premium range
To be calculated

Launch
Pilot in 2015

Applying the control cycle allows the previous processes to be assessed and elements to be gathered to improve client value. Data analysis also raised a possible hidden issue in regard to mortality rates: they differ largely within the country and among the MFI members. Why so? How does one take the difference into account?

With this disciplined approach, a premium has been computed and a pilot will be launched in 2015. A monitoring schedule is already set to follow the relevancy of the premium level and help manage it.

A pricing tool for health insurance

Milliman was asked to design a pricing tool for health insurance, and will make it available online early in 2015. This tool computes the price of a product whose specificities are chosen by the user. It is aimed at at explain-ing the components of a price to improve understanding of the process at hand, and may allow adjustments to the design of a product by gauging the relevance of some of its guarantees.

The presented tool takes the form of an excel file, with several spreadsheets explaining each element of product pricing. It has an educational purpose only, but even if the parameters on display may not allow precise pricing of a specific product in a defined place, they still give a pretty good idea of the metrics at stake.

37 — Michael Weilant, Consulting Actuary, Milliman, United States.

38 — Eamon Kelly (via Skype), Actuarial Consultant, United Kingdom.


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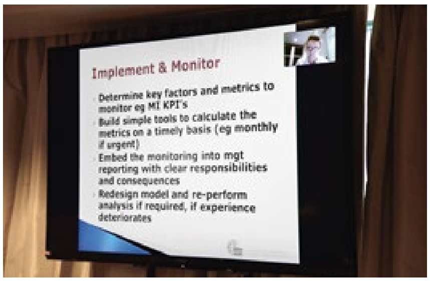


38

The pricing tool belongs to the "model building" part of the control cycle, so the users are assumed to have a good knowledge of their target and a good idea of the product they want to price.

In a way, life insurance is simple: a person is either alive or dead. For health insurance, however, many guarantees may be offered. The tool specifies the premium for a standard product, or allows a choice between eighteen benefits split among the following categories: healthcare consultation, disease service, pharmacy, accidental death, maternity benefits and inpatient facility. For each benefit, the payout frequency may take values from admission/day/visit. Those parameters give the baseline claim cost per member per month (PMPM).

To take in the importance of context, demographic peculiarities may be specified (aging population, mainly female or mainly male population), and some environmental factors may be chosen (low/high access to care, formal/informal industry, traditional healing used or not). Other factors such as expected profit, tax, subsidy and expenses are eventually requested to compute the total premium.

While the tool is helpful, setting the correct assumptions will remain a challenge as the key assumptions will vary significantly by distribution system, management capability of the scheme, and other factors.

The Milliman spreadsheet uses figures or numbers but no currency denominations to facilitate its use in different markets.

Lessons learnt

Adjust to your context and keep it simple. The price depends on the product *and* its context – including elements such as geography, demographics and environment, and assumptions driven by the distribution system, management capability and other factors. Knowledge about those elements is key to the pricing process.

In some simple cases, an actuary is not needed for product pricing. In others, most of the pricing process described by the control cycle may still be done by non-actuaries.

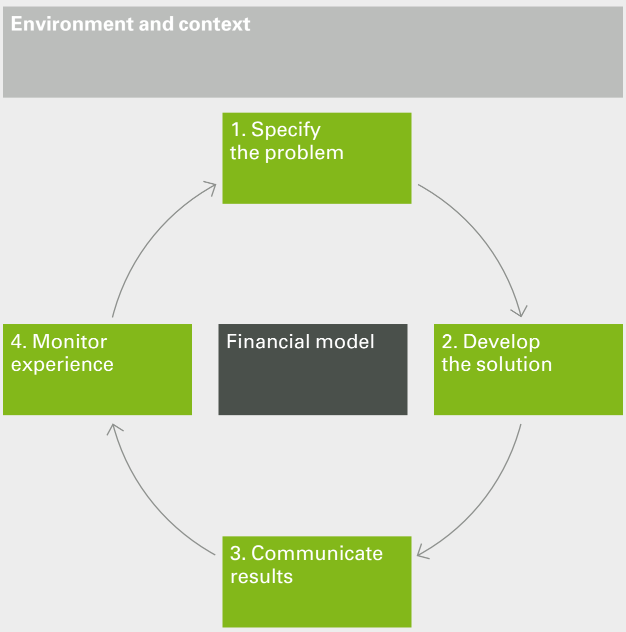
An educational tool will soon be available online, displaying the basics of health insurance pricing.

More information

http://us.milliman.com/insight/videos/Microinsurance-at-Milliman/

www.microinsurancenetwork.org/working-groups/actuaries-and-microinsurance-discussion-group

Figure 10
Actuarial control cycle



Source: Kelly, Eamon. Presentation "Applying the actuarial control cycle to microinsurance". 10th International Microinsurance Conference 2014

39 — Denis Garand, President, Denis Garand and Assoc., Canada.

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Parallel session 4 Agro 1

This session's panelists discussed recent advances in agricultural insurance that have the potential to solve two main challenges: the need for better products with lower basis risk, and the need to scale-up programmes to reach as many farmers as possible.

Strategic use of remote sensing to improve area-based yield estimates

Like other index-based products, area-based yield insurance is subject to significant basis risk if a farmer's yields differ from area averages derived from crop-cutting experiments. When spatial basis risk is high, the farmer may be economically worse off with the insurance product than without it.

In India's new **Modified National Agricultural Insurance Scheme** (MNAIS) launched in 2011 (see parallel session 15), the government was keen to reduce basis risk by shrinking the size of insured units from Blocks (rural districts) to the Gram Panchayat (village) level. In this study's test case state of Bihar, downscaling reduced the insured unit from an average area of 177 m^2 to 11 m^2.

Although this adjustment defined more homogeneous production zones with higher within-unit yield correlations, it came at the considerable cost of 10 million crop-cutting experiments (CCEs) per year. To test whether remote sensing technology could be used to improve the quality and efficiency of CCEs, the World Bank study compared three yield estimation strategies.

To create yield maps reflecting "perfect information" against which basis risk could be assessed, the study conducted 510 rice CCEs at a sampling density of 104 CCEs per Gram Panchayat. Then, remotely sensed Normalised Difference Vegetation Index (NDVI) values were used to generate a second set of yield estimation maps for the same areas. Three estimation strategies were assessed to compare payouts that would result from:

1) a "business as usual" approach, using random sampling to determine the site of CCEs for yield estimation;

2) a pure NDVI approach, using only remote-sensing data to estimate yields; and

3) a strategic sampling approach, using NDVI data to weight the number and location of CCEs towards insured units where yield estimates are significantly below the remotely sensed area average.

In all cases, the strategic sampling technique proved most robust. This method would allow programme administrators to either double the accuracy of claims payments, or to match the basis risk of business as usual while reducing CCE costs by a factor of four. Strategic sampling also outperformed pure NDVI-based estimations, even when the quality of remote-sensing data was high.

Nevertheless, investments in quality remote sensing technologies may be more expensive than CCEs, and strategic sampling may be most effective in countries with large agro-ecologically homogeneous areas.

Testing remote-sensing performance for weather index insurance

The **International Fund for Agricultural Development (IFAD)** has partnered with the **World Food Programme (WFP)** since 2008 to develop index insurance as a tool to reduce smallholder vulnerability and enhance food security. Yet several of the project's pilot programmes were undermined by the poor quality of weather and yield data, which generated significant basis risk for farmers and eroded trust in the products.

Table 1
Remote-sensing methodologies tested

Remote sensing service provider	Type of product/ approach	Remote sensing data used
VITO	Vegetation indices (NDVI and fAPAR) Start-of-season based on rainfall estimates	SPOT-VGT NDVI / fAPAR (1x1 km) TAMSAT rainfall estimates (8*8 km)
FewsNet	Actual ET (evapotranspiration)	MODIS-based ET (1*1 km)
EARS	Relative ET (evapotranspiration)	MSG-based relative ET (3*3 km)
ITC	Vegetation indices (NDVI)	SPOT-VGT NDVI (1*1 km)
IRI	Rainfall estimates	NOAA based RFE2 ARC (10*10 km)
Geoville	Radar-based estimation of soil moisture Start-of-season based on Soil Water Index	ERS (50*50 km) resolution and METOP ASCAT (50*50 and 25*25 km)
Sarmap	Radar crop maps and start-of-season indicators	CosmoSkyMed data (3*3 m)

Source: Rispoli, Francesco. Presentation "Satellite innovations for scaling-up index insurance". 8th International Microinsurance Conference 2012

Given these constraints, the IFAD-WFP Weather Risk Management Facility project was launched to evaluate the opportunities and constraints of satellite-based index insurance contracts for smallholders. The purpose is to develop, test, and validate indices using six distinct remote-sensing methodologies.

To calibrate remote-sensing indices, local research institutions are conducting an extensive monitoring campaign in four 20×20-kilometre test sites in central Senegal. For maize, groundnut and millet fields, researchers are recording details such as varieties planted, sowing dates, crop development, causes of loss and final yields. Rain gauges have been installed in individual fields, and farmers have been surveyed about farming practices and historical adverse years.

The project will run through 2016 and expand spatial testing to Kenya before delivering a comprehensive evaluation. But some preliminary findings are already available. Firstly, ground monitoring revealed high spatial variation of yields between plots in the same geographic areas. This suggests that in many areas, timely access to quality inputs and extension services can pose a larger problem than weather. Secondly, different remote-sensing methodologies are better suited for particular crop and field size combinations, and in general these methods perform better for millet and groundnut than for maize. Thirdly, some methods such as radar can produce maps and masks to identify land use and differentiate between crops, resulting in better index performance.

Overall, the project has found that the design and calibration of the indices have as much impact on performance as the remote-sensing techniques themselves. This suggests that remote-sensing service providers' experience with the specific needs of insurance end-users should be considered when selecting a methodology.

Mexico's CADENA: A macro programme for smallholders

Mexico's **Comité de Ayuda a Desastres y Emergencias Nacionales (CADENA)** is a macro-level insurance programme designed to protect smallholder farmers with less than 20 hectares of land from catastrophic weather events. Under this model, the Ministry of Agriculture, Livestock and Fisheries (SAGARPA) pays the majority of the premium, with states contributing the remainder. States choose whether payouts are based on area yield or parametric weather indices. *Municipios* (municipal governments) then receive payouts and distribute them to affected farmers.

40 — Left to right:
Rachel Sberro, Financial Sector Specialist, World Bank, United States, and Horacio Perez, Senior Consultant, Munich Re, Mexico.

41 — Left to right:
Daniel Clarke, Title, World Bank, United States, and Francesco Rispoli, Technical Adviser, Rural Finance, International Fund for Agricultural Development (IFAD), Italy.

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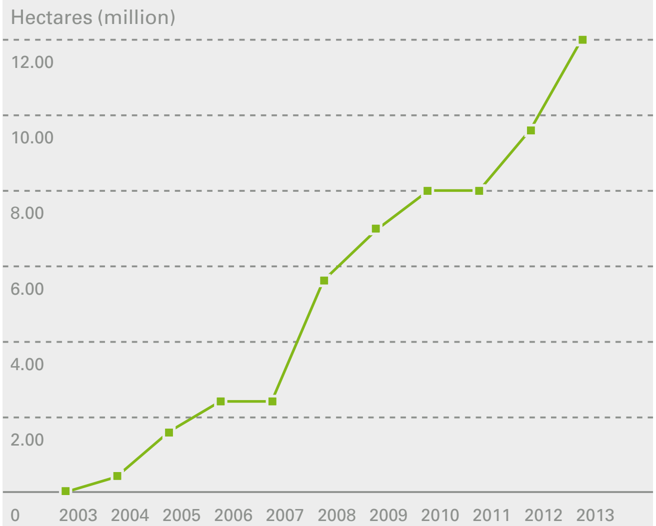
Figure 11
Surface area covered by CADENA



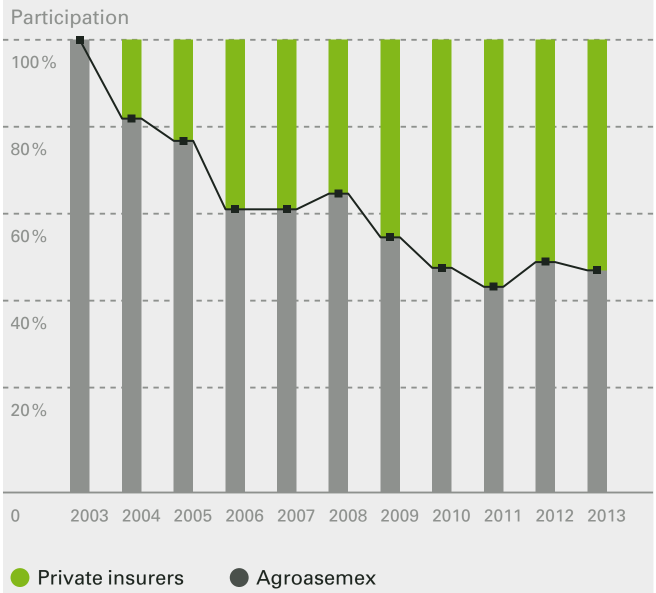
Source: FAO 2014/Perez, Horacio. Presentation "Mexico CADENA program: Experiences, comments and a look into the future". 10th International Microinsurance Conference 2014.

Parallel session 4
Agro 1

Since its beginning in 2003, the programme has seen a steady expansion of agricultural areas covered and an evolution towards more private-sector participation. As of 2013, more than 50 % of the coverage was underwritten by private insurers, with state-controlled agricultural reinsurer **Agrosamex** taking the remainder. See Figures 11 and 12.

From the perspective of insurers, the structure of the programme makes for easy delivery of the product. The cost of risk-adequate premiums is financed by the government and payouts do not require individual loss adjustment. From the perspective of producers, however, the programme needs improvement. Many farmers are not aware that they are insured. Even if they are aware, the unclear payout mechanism creates uncertainty about how much payment they are eligible to receive, from whom, and under what triggering conditions. As a result, farmers are not able to use the CADENA coverage to secure access to agricultural loans.

Figure 12
Evolution of public and private insurer participation in CADENA



Source: FAO / Perez, Horacio. Presentation "Mexico CADENA program: Experiences, comments and a look into the future". 10th International Microinsurance Conference 2014.

Efforts are underway to centralise and integrate geo-referenced information about insured fields and use this data to facilitate loan collateralisation at the individual level.

CADENA (Mexico)

Number of people insured
3 million

Insured risks
Agriculture and livestock

Premium range
N/A (macro cover paid by states and federal government)

Lessons learnt

— Remote-sensing technology can be leveraged to identify the most critical geographic areas for crop-cutting experiments.

— Remote sensing is a useful tool for defining the optimal unit size of insured areas.

— Beyond technical performance, projects should consider the operational constraints of various remote-sensing techniques, including: cost of data and processing, transparency of methodology to regulators, acceptance by farmers, and ability to transfer technical capacity to the local level for sustainable operations.

— Remote-sensing service providers' experience in developing and calibrating indices for insurance is just as important as the accuracy of the underlying data.

— Geo-referenced data systems and land registers are required to allow farmers to use macro-level insurance coverage for loan collaterals.

More information

www.ifad.org/ruralfinance/wrmf/

www.cadena.org.mx

Agenda

Day 2 afternoon sessions
12 November 2014

Parallel session 5

Health 1 – From design to reinsurance

Making Indian mass health schemes successful – A reinsurer's view

Ruediger Mehl
Managing Director,
Hannover Rück SE, Germany

Lessons from 6 years of practice: Making health micro-insurance work

Jeanna Holtz
Principal Associate,
Abt Associates, United States

Cost drivers in health microinsurance (4 case studies on 3 continents)

Lucas Greyling
Principal/Partner, DotXML Technologies CC, South Africa

Facilitator
Rupalee Ruchismita
Director, CIRM Design and Research Labs, India

Parallel session 6

Putting clients first

Continual product refinement as per clients' needs

Zahida Kabir
Executive Director,
Sajida Foundation, Bangladesh

Translating complex financial lives into simple product ideas

Michal Matul
Sr research officer,
the ILO's Impact Insurance Facility, Switzerland

Finding the best "touch" level in distributing microinsurance to different clients: The experience of Suramericana

Barbara Magnoni
President, EA Consultants, United States

Facilitator
Herman Smit
Technical Director, Cenfri, South Africa

Parallel session 7

Academic research 1 – Impact of microinsurance

Index insurance: Innovative financial technology to break the cycle of risk and rural poverty in Ecuador

Lena Heron
Senior Rural Development Advisor, USAID, United States

Lucky for those who get it: Impact of insurance indemni-fications on the resilience of small-scale farmers against shocks

Stephan Dietrich
Post-Doc, University of Göttingen, Germany

Productivity and welfare effects of weather index insurance: Quasi-experimental evidence

Yesuf Awel
PhD Fellow, Maastricht University, Netherlands

Facilitator
Glenn Harrison
C.V. Starr Chair of Risk Manage-ment & Insurance, Robinson College of Business, Georgia State University, United States

Parallel session 8

Microinsurance for migrant workers and their families

Examples of microinsurance for migrants in Latin America

Miguel Solana
Technical Officer – Microin-surance, the ILO's Impact Insurance Facility, Switzerland

Migration, remittances, and the potential of microinsurance: Mitigating existing risks and new vulnerability

Emily Zimmerman
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Emerging transnational models of microinsurance for migrants

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Plenary 3

Global insurer approaches to microinsurance

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Parallel session 5

Health 1 – From design to reinsurance

This session drew lessons from the experience of health insurance schemes in achieving scale and viability and providing value to clients, explored the role of reinsurers in providing risk evaluation and pricing support, and examined cost drivers.

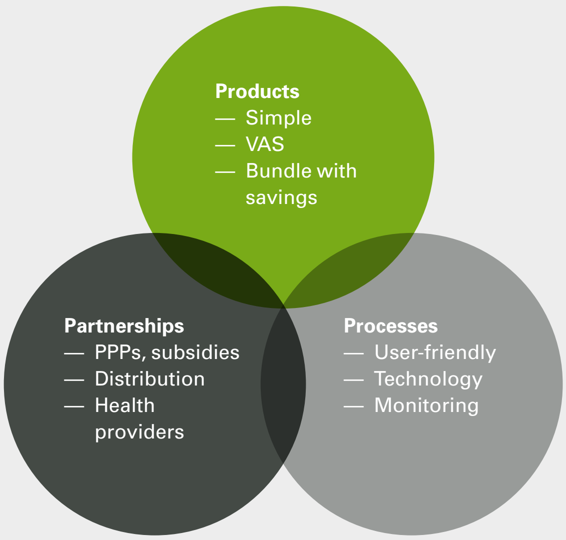
A wide range of health insurance schemes operate in India, where:

— 5 % of households above the poverty line – a staggering 35 million people – fall below it because of health care expenses ; and
— one in ten rural households becomes poor or poorer because of health issues.

The three Ps: product, process, partnerships

Most health microinsurance schemes struggle to manage administrative costs, limiting their ability to scale up and become viable, particularly in the absence of any subsidy. Three aspects of the insurance scheme must be considered: products, processes and partnerships (see Figure 13).

Figure 13
The three Ps, key to success



Source: Holtz, Jeanna. Presentation "Threading the needle: how to make health microinsurance work". 10th International Microinsurance Conference 2014.

Products: product design should be simple, to make products easy to understand and efficient to sell and administer. Value-added services, which complement the "core" insurance product, can make insurance more tangible for clients, and increase access to lower-cost (outpatient) health care. Savings are a potential supplement to insurance, and can be used to fund premiums or to cover out of pocket expenses, thereby reducing over-reliance on borrowing or sale of productive assets. For example, in India, **Uplift Mutuals** offers an array of value-added services including low-cost health camps, which rotate to different locations within the scheme's service area, and a 24/7 helpline staffed by health care providers; a savings-linked product is being rolled out to attract new clients and to provide another premium-financing mechanism.

Uplift Mutuals

Number of people insured
170,000 individuals in seven mutuals

Insured risks
Hospitalisation (up to US$ 250 per family per year), various value-added services for outpatient care

Premium average
US$ 6.70 per family per year

Processes: front-end and back-end processes affect client value and scheme viability. Effective monitoring can identify opportunities to improve processes. Technology is a powerful lever to improve efficiency of processes such as premium collection, or claims payment, and to provide better, faster service to clients.

Partnerships: Public-private partnerships (PPPs) allow expansion of benefits, scaling up and reaching the poorest. Other important partnerships involve distribution channels and health providers, who serve as key points of contact for clients. In the case of Uplift Mutuals, partnerships with donors have supported the scheme to grow while improving efficiency. Looking ahead, health insurance can work for the poor, but only when carefully orchestrated across products, processes and partnerships (see Box 3).

42 — Ruediger Mehl, Managing Director, Hannover Re, Germany.

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Box 3

What's next in health microinsurance?

— Technology breakthroughs (in health care delivery and insurance processes).

— Public-private partnerships in support of universal health coverage.

— A deeper understanding of the impact of insurance on health status of clients; and

— Better application of lessons learnt.

Fraud mitigation

Insurance is an efficient tool for interrupting the cycle of poverty. Sponsored schemes are generally a good idea, providing quality health care and financial protection through a PPP, allowing all stakeholders to benefit. But because of limited monitoring, there is a high level of systemic misuse, leading to wrong treatments and increased premiums. The schemes no longer benefit clients and collapse.

Reinsurers can take hard-to-quantify risks, and with their support, provide added value for governments and beneficiaries. They also inject a professional and business-minded approach, which ensures the scheme's sustainability.

In India, **Hannover Re** provides support for risk evaluation and pricing, and organises health camps (going to villages, explaining how the product works and where people can find services or hospitals nearby), which are an important step against misuse and fraud.

Sample scheme Hannover Re may consider supporting

Cover
Hospitalisation costs up to INR 30,000 (~US$ 500) per family (max 5 people) per annum, and about 1,000 standardised treatments, each at a fixed price

Premium range
US$ 5–10 per family per year

For claims management and fraud mitigation, three areas need to be scrutinised: enrolment, hospitals and claims.

There are plenty of fraud examples: people that are not eligible are sometimes enrolled, false cards are issued, and operators may even enrol themselves. Hannover Re helps choose qualifying hospitals, avoiding possible lacks of infrastructure, qualified staff and hygiene. As for claims, patients are sometimes treated for unnecessary procedures, surgeries are billed but not conducted, and treatments are overcharged. Without proper monitoring, such misuses can cause the scheme to collapse.

Data analysis is key to tracking down fraud. The process is simple and yields immediate results. Suspicious data lead to hospital/operator investigation followed by interviews of beneficiaries, to end with recommended actions. Several types of outliers may come to light:

— logical discrepancies: patient visiting twice a day;
— medical issues: cataract surgery on young people; and
— unusual trends: spikes of claims, which may be the sign of medical tourism (a bus collects people and their cards, brings them to the hospital where treatments are charged without being made).

Fraud mitigation steps taken by Hannover led to a 152 % drop in claims within a year (see Figure 14).

43 — Jeanna Holtz, Principal Associate, Abt Associates, United States.

44 — Left to right:
Lucas Greyling, Principal/partner, DotXML Technologies CC, South Africa, and Rupalee Ruchismita, Director, CIRM Design and Research Labs, India.


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Parallel session 5
Health 1 – From design to reinsurance

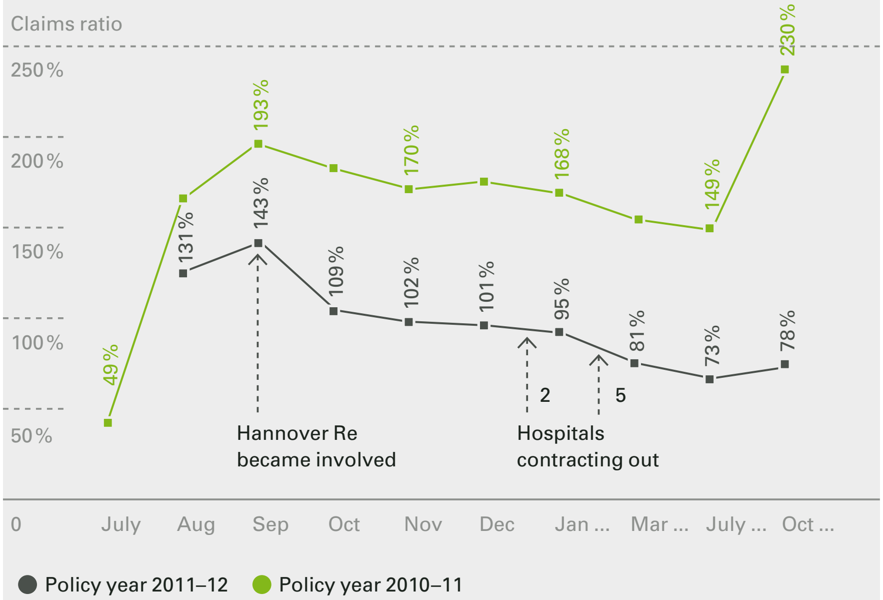
Cost drivers in health insurance

Low- and middle-income countries bear 93 % of the world's disease burden, but only have 11 % of the health expenditure. Relying on the cases of Colombia, Ghana, India and Kenya, the last presentation provided insights into cost drivers in health insurance. Among diseases being treated, it appears that a handful of them (malaria, HIV, maternal conditions, diarrheal diseases, and respiratory infections) are responsible for a significant part of the claims cost.

Another point is that non-communicable diseases are a challenge for the future. All four countries are shifting from communicable to non-communicable diseases (e.g., diabetes, asthma), which are more expensive to treat. Taking in- and outpatient care separately shows that outpatient incidences have a far greater ongoing impact on household income than the occasional inpatient event. Furthermore, providing medical care to outpatients helps identify diseases at an early stage, reducing inpatient claims. There is still room here for product design improvement, with a focus on outpatient care.

A good sign for health insurance is that **out-of-pocket payments remain at a high level,** proving a willingness and ability to pay for healthcare.

Figure 14
Impact of proper claims management



Source: Mehl, Ruediger. Presentation "Making Indian mass health schemes successful". 10th International Microinsurance Conference 2014.

Lessons learnt

- Healthcare insurance can be viable when carefully orchestrated and monitored in an effective way.
- Reinsurance brings a professional and business-minded approach which is essential to ensure a scheme's viability.
- Data analysis is of great help when tracking down fraud.
- Medical care for outpatients reduces inpatient claims.

More information

www.hannover-re.com/sustainability/products/reinsurance/index.html

www.abtassociates.com/healthsystems.aspx

www.resiliencedesignlabs.org/health/

www.finmark.org.za/publication/health-microinsurance-scheme-design-and-pricing-lessons-from-four-countries

Parallel session 6 Putting clients first

This session discussed client-centricity, with examples of where research of consumer behaviour is included in project design.

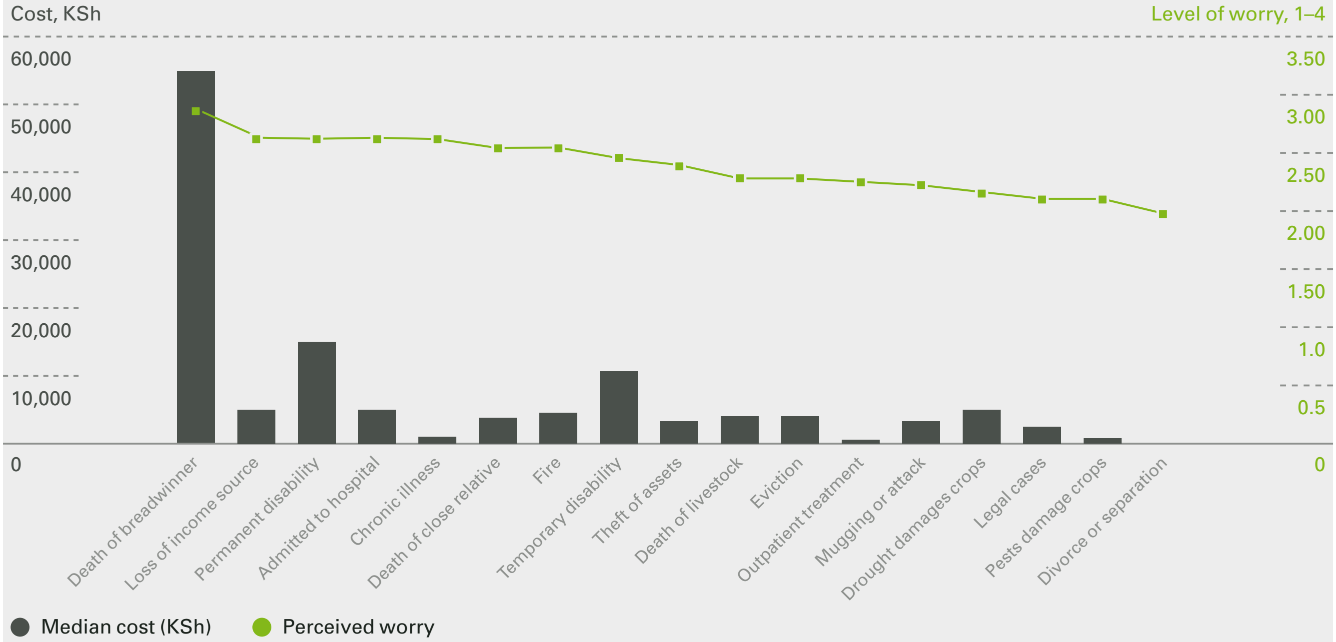
Understanding client perception of risk and savings behaviour is key to developing successful products. A case in Bangladesh demonstrated the refinement of products based on client needs, and a study in Colombia explores the pros and cons of high-, low-, and no-touch product distribution models.

Understanding client perception and behaviour important

Research on potential and existing low-income consumers has provided a depth of insights that can be translated into microinsurance product design. To develop an appropriate product, it is important to understand the perceptions and behaviours of consumers. **Low-income households often have "complex financial lives",** characterised by chaotic cash flows in which income and expense flows don't match. As a result, poor people make small, daily financial decisions using both formal and informal services. As insurance is often not yet utilised, it is critical for insurers to understand how people use existing financial services for risk management. Insurance solutions should help create a culture of saving and investing to help solve day-to-day problems.

Low-income households often perceive risk differently than higher-income households. Some severe risks, such as losing the main family breadwinner, are perceived as such, but other risks that are quite costly, such as property and agricultural risk, carry a lower perception of risk and are harder for people to guard against psychologically (see Figure 15). It is important for insurers to help households match their perception with reality to demonstrate the value of insurance.

Figure 15
Perceptions versus risk reality –
Levels of worry compared to median cost (in Kenyan shillings)



Source: Matul, Michal. Presentation "Translating complex financial lives into insurance solutions". 10th International Microinsurance Conference 2014.

Parallel session 6
Putting clients first

It is common for people in low-income households to postpone healthcare, either because it is too costly or because of cultural perceptions or belief in traditional medicine. For insurers, this means it is important to include value-added services that help change health-seeking behaviours. Examples of value-added services include distribution of basic health education and an automatic help line for common illnesses.

Low-income households regularly save, but rarely leverage their savings to manage risk. Savings are typically held in an illiquid form such as livestock or in a savings group, which means it is not easily accessible in emergencies. Bundling savings with insurance could help change saving behaviour, although there are currently few successful examples.

Potential consumers want to cover multiple risks with one solution, and may find it counterintuitive to purchase insurance rather than taking out a loan, which can be used as needed. Insurers must develop data-driven products that are designed around client perceptions and behaviours if they wish to be successful in the market.

Continual product refinement

The **Sajida Foundation** in Bangladesh offers a low-cost insurance product that covers the costs of death, healthcare, disasters and education for Sajida microfinance borrowers.

Starting in 2013, a product, access, cost and experience (PACE) analysis was conducted to determine the appropriateness and effectiveness of Sajida's insurance product. Sajida redesigned its offerings to more appropriately address client needs and be more financially sustainable for Sajida itself. During the refinement process, Sajida found that premiums could be kept lower by integrating the insurance product with other programmes, and that more risks could be covered through a packaged product. Refinement is a continual process, and claims data is used to better understand what incidents occur most commonly among clients and how products can better serve their needs.

Finding the best "touch" level in microinsurance distribution

Insurers providing microinsurance often worry about the cost of distribution, which is impacted by the level of "touch" or contact a provider offers. A "high touch" distribution system is the most costly, and includes person-to-person interaction such as door-to-door sales or the use of field-based agent networks. A "low-touch" model could leverage an existing distribution relationship, and a "no touch" model, which is the cheapest, could include mobile distribution or insurance bundled with another product.

Sajida Foundation

Number of people insured
616,120

Insured risks
Health, life, disaster

Premium range
US$ 3.13–13.13

45 — Left to right:
Michal Matul, Senior research officer, the ILO's Impact Insurance Facility, Switzerland; Barbara Magnoni, President, EA Consultants, United States; Zahida Kabir, Executive Director, Sajida Foundation, Bangladesh.

46 — Herman Smit, Technical Director, Cenfri, South Africa.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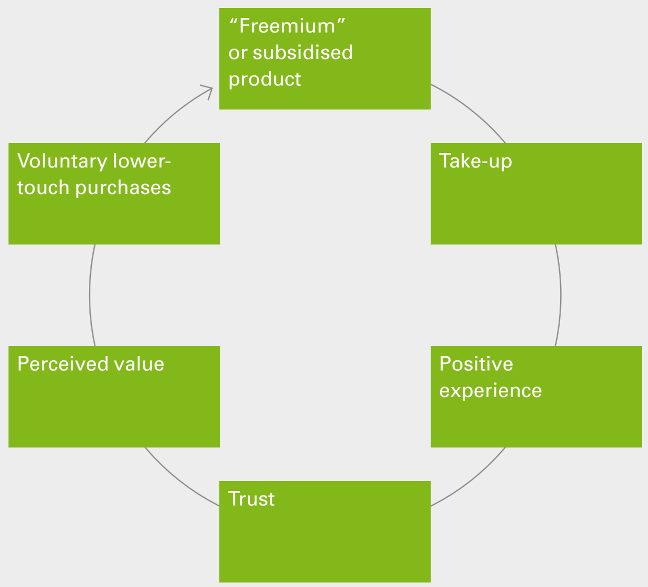
A study of the Colombian branch of **Suramericana,** an insurance provider in Latin America, explored the client segments reached by high- and low-touch channels and the implications of this for the insurer's distribution strategy. One life and funeral insurance product was offered through a high-touch, door-to-door sales model as well as using a low-touch model by which the product was offered through a credit card. The higher-touch model was purchased by more women, more lower-income people, more unbanked individuals, and people with less experience with insurance. Clients of the high-touch model also had more trust in the distribution channel.

This demonstrates that the market can be segmented by distribution model; some consumers can be successfully targeted with lower-touch distribution channels while others cannot. High-touch models seem to create demand among consumers who wouldn't otherwise purchase insurance. Low-touch models are more successful in reaching consumers who have experience with and/or existing demand for insurance (see Figure 16). Insurers can potentially lighten their touch and be more cost-effective once a consumer has experience with insurance and trust is developed. However, it is crucial to ensure that information and education are included in any strategy for distributing insurance to low-income people.

Lessons learnt

- Client needs and behaviours are contextual, so product design should take into account cultural perceptions, behaviours, and practices of distinct markets.
- Informal financial services can appropriately serve the needs of low-income people in some cases, so insurance products should aim to complement rather than replace these mechanisms where appropriate.
- In determining the best distribution method, it is important for insurers to understand the characteristics of prospective clients, including their financial literacy, experience with financial services and level of trust in the provider and/or distributor.

Figure 16
From high-touch to low-touch



Source: Magnoni, Barbara. Presentation "Finding the best touch level in distributing microinsurance to different clients: The experience of Suramericana". 10th International Microinsurance Conference 2014.

More information

www.sajidafoundation.org

www.sura.com/internacional

www.microinsurancecentre.org/milk-project/milk-overview.html

Parallel session 7

Academic research 1 – Impact of microinsurance

This session reviewed the impact of microinsurance garnered from three case studies: the comparison between conventional and indexed microinsurance in Ecuador, the link between insurance indemnifications and post-event coping strategies in Colombia, and the effects of weather index insurance on productivity and welfare in Ethiopia. All cases involved research in rural areas with similar characteristics: a high percentage of small and medium farmers, living in poverty, strongly exposed to productive risks and with little access to the crop insurance market.

Ecuador: conventional and indexed microinsurance impact on small and medium farmers

Insurance companies participating in the crop insurance market in Ecuador nowadays offer only conventional contracts to farmers. Nevertheless, this type of contract has some disadvantages. It has high operative costs and the risk that the insurance holder may misunderstand the contract conditions.

The index-based insurance (that measures a specific weather variable for a particular product based on historical weather data and then specifies a threshold and limit for making payouts) is a potential solution to some of those problems.

Because no verifications on the fields are needed, index insurance has lower operational costs – which implies that the insurance company should be able to pay a higher indemnity amount to the client for the same premium cost. But the basis risk in index insurance makes it less precise: a farmer affected by an event may not receive an indemnity if the threshold level in the area is not reached (see Box 4).

Box 4

Basis risk

It is the risk that the farmer suffers a loss but does not receive an insurance payment.

Causes

— Idiosyncratic risk

— The index only covers one of the covariant risks.

— Poor contract design

Key trade-off when choosing between conventional versus index insurance

— Index insurance has lower operating costs.

— Hence, it can offer larger payouts for the same premium.

— But it is less precise (it may not pay when the farmer loses and vice versa).

Source: Heron, Lena. Presentation "Index insurance: innovative financial technology to break the cycle of risk and rural poverty in Ecuador". 10th International Microinsurance Conference 2014.

The goal of the research was to determine what type of insurance contract (conventional or indexed) offers a better possibility for creating a deeper and more sustainable crop insurance market for small and medium farmers. For that purpose, it analysed both options, comparing the cost and quality of protection.

In a sample of 1,000 small commercial farmers divided into three groups (with a conventional insurance contract, with an indexed insurance contract and without any insurance contract), the study compared two main variables:

1) the total revenue received by farmers and the average net payment of the insurance

2) the fraction of farmers who received an indemnity.

They analysed the two variables dividing the three groups of farmers into deciles according to their yield.

The research produced two main results. Firstly, **saving administrative costs** (index-based insurance) can allow an insurance plan that offers better dollar-for-dollar protection for a farmer's income. That is because, for the deciles with the lowest levels of yield in the study, the net payment received was higher in the index-based insurance than in the conventional plan (for the same premium cost). Secondly, **index-based insurance seems not to be adapted to all types of crop cultures,** given that it is mainly sensitive to covariant risks (that affect the majority of farmers in a specified area) and less to idiosyncratic risks (that only affect a small fraction of farmers in a given area).

47 — Lena Heron, Senior Rural Development Advisor, USAID, United States.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Colombia: impact on coping strategies of small-scale farmers

This research was interested in evaluating the impact of microinsurance after the occurrence of a shock. More precisely, the focus was on how insurance indemnifications influence coping strategies of small-scale farmers, after they suffer the shock.

The research involved a sample of 468 small-scale tobacco contract farmers in Colombia between 2009 and 2010. In the survey region, two tobacco companies dominating the market served as intermediaries to offer an insurer's conventional yield insurance against climate shocks to farmers.

During 2009 and 2010, the farmers suffered important climatic shocks, with drought and excess of rain. The objective of this research was to see how indemnity payments affected coping strategies, comparing strategies of farmers who were indemnified and those who were not.

Through statistical analysis, the study found that **receiving an indemnity payment reduced the probability of the households' selling assets** (as a strategy for coping with a shock). Also, households that did not receive an indemnity payment after a shock asked on average for more loans (and bigger amounts) than households that were paid. Receiving an indemnity therefore has an impact on coping strategies adopted by farmers, protecting the households' assets after a shock, and making the indemnified households better equipped to face future shocks.

Ethiopia: productivity and welfare impact of weather-index insurance

Like many other developing countries, Ethiopia has a very low penetration rate of agricultural insurance and a significant use of informal insurance by farmers. Weather–index based insurance could be a way to mitigate the information asymmetries and transaction costs linked to conventional insurance.

Nevertheless, with few studies so far, the impact of index-based insurance is not widely known. This research was designed to evaluate the impact of weather-index insurance on Ethiopian farmers' production decisions, productivity and welfare. Specifically, it examined the effect of a large commercially traded weather-index insurance plan in sub-Saharan Africa.

Based on data collected in 2013 on a random sample of 169 subscribers and 106 non-subscribers of this weather-index insurance, the main outcome indicators of the survey were the fertiliser amount used by each farmer and the yield per hectare.

A key result of the research was that **purchasing insurance has a positive impact on technology adoption** by farmers, increasing their use of chemical fertiliser. There is also evidence suggesting improvements in the productivity of those that purchased insurance.

Lessons learnt

- Index insurance is a solution that creates a deeper and more sustainable crop insurance market for small and medium farmers, but it is not adapted to all crops cultures and types of risks.
- Microinsurance is part of other coping strategies adopted by farmers. In some contexts (such as tobacco farmers in Colombia), there is statistical evidence that receiving indemnity payments makes farmers less dependent on coping strategies and better equipped to face future shocks.
- In Ethiopia, having index insurance positively influences the production decisions of farmers, making them more able to take on risks.

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48 — Stephan Dietrich, Post-Doc, University of Göttingen, Germany.

49 — Yesuf Awel, PhD Fellow, Maastricht University, Netherlands.

50 — Glenn Harrison, C.V. Starr Chair of Risk Management & Insurance, Robinson College of Business, Georgia State University.

Parallel session 8

Microinsurance for migrant workers and their families

In 2013, migrant workers sent US$ 404 billion in remittances to developing countries. This session considered the forms of microinsurance that may help migrants cope with the risks they face when working abroad, or enable them to support families at home in times of sickness, accident or death of a family member.

Options and constraints

Migrants themselves are often called upon to act as their family's "informal insurance policy", sending additional money home in times of trouble, but they also face great risk themselves. Given these risks and the financial support provided by migrants, there is great potential for formal insurance products. Nevertheless, there are considerable challenges preventing easy market growth.

These challenges differ depending on the insurer model and insured individuals involved. In the **"home" model,** the insurer is located in the home country and the coverage applies to the family or the migrant who contracted before departure. In the **"host" model,** the insurer is located in the host country and the coverage applies to the migrant, often in the form of a life or repatriation policy. In the **"hybrid" model,** the insurer may be located in either or both countries, and the coverage may apply to the migrant or family at home, or both[6].

51 — Left to right:
Miguel Solana, Technical Officer – Microinsurance, the ILO's Impact Insurance Facility, Switzerland; Emily Zimmerman, Research Associate, EA Consultants, United States; Asher Hasan, CEO, Naya Jeevan, Pakistan; Dirk Reinhard, Vice-Chairman, Munich Re Foundation.

51

Both the hybrid and home models open up the possibility of leveraging remittances to pay insurance premiums. Yet insurers must recognise that migrants and their families often have different spending preferences; while migrants may wish for greater control over the use of their remittances, the family at home often wants the greatest amount of flexibility in fund allocation. Hence, programmes should be structured so one party has full decision-making power.

There are also a number of regulatory complications, including national licensing of insurers, intermediaries, and agents, varying definitions of insurance, and the undocumented status of many migrants. The last consideration has particular implications for consumer protection and demand, since migrants who are unable to supply legal documents may worry about their ability to enforce contractual rights.

Migrants' interest in and willingness to purchase formal insurance should also be considered in light of their broader financial access, which may speak for readiness for formal insurance. For instance, a study of Mexican immigrants in New York found the main determinants of having insurance to be the size of wages, length of time in the U.S. and ownership of a bank account. In this sense, it may be better to consider insurance as a later step on a financial access staircase. Although this step is at present a niche market, its size could expand over time – particularly if regulation and distribution challenges can be overcome.

Lessons from Latin America

Although there are a number of schemes for Latin American migrants using the home, host, and hybrid models, few have had great success. Insurers are already competing with remittances as a protection mechanism, but have not effectively communicated the difference between these channels.

In **Haiti**, a hybrid programme targets migrants to sponsor premiums for funeral and death annuity policies for family members at home. Although the programme has a nearly 90% renewal rate, it has struggled to access clients. The insurer did not anticipate the extent to which community organisations broker access to migrants, nor the fact that many community leaders already had their own informal programmes for providing such support.

Protecta Beyond Borders (Haiti)

Number of people insured
250

Insured risks
Funeral cover for family in Haiti and annuity

Premium range
US$ 300 to 480 per annum

A **Guatemalan** home-country programme provides body repatriation and funeral services for migrants as well as a death annuity for the family. The programme works through rural banks that allow families to channel remittance payments into premiums. Outreach has required differentiated communication strategies in the home and host countries, where the insurer must carefully cooperate with migrant associations to reach clients.

Seguro Migrante (Guatemala)

Number of people insured
13,000

Insured risks
Body repatriation, funeral and annuity

Premium range
US$ 28 to78 per annum

In **El Salvador,** a home-country programme allows families to pay premiums for the migrant's body repatriation and death annuity benefits. Clients can add new elements of cover every time they receive remittances. Distribution is through personal sales targeted during the two days weekly when remittances arrive. Since more than one individual from a family often migrates, the programme now offers a family contract for multiple individuals abroad under the same policy.

Seguros Futuro Repatriación y remesas (El Salvador)

Number of people insured
3,500

Insured risks
Body repatriation and annuity

Premium range
US$ 35 to100 per annum

After several design attempts, a **Mexican** home-country programme offering body repatriation and funeral services failed to launch because of difficulties working with the remittance companies through whom premium payments were to be made. The fact that the Mexican government sometimes pays for body repatriation also reduced potential demand from clients.

On the other hand, a host-country programme in **Spain** has been extremely successful in insuring migrants for body repatriation and accidental death and disability benefits. It targets a diverse clientele of immigrants from Latin America and Africa. It has reached 66,000 clients through the various distribution channels of La Caixa Seguros, but nevertheless, there is some confusion among clients about the programme's actual benefits.

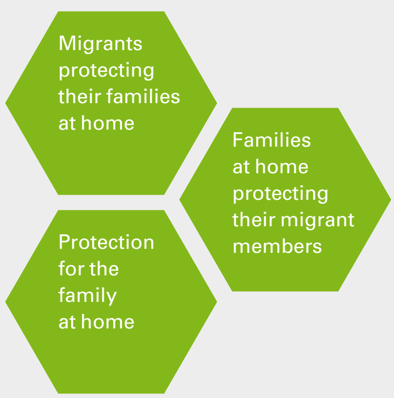
SegurCaixa Repatriación (Spain)

Number of people insured
66,000

Insured risks
Body repatriation, accidental death, disability

Premium range
US$ 87 per annum

Figure 17
Family relationships drive products for migrants



Source: Solana, Miguel. Presentation: "Examples and lessons of microinsurance for migrants in Latin America". 10th International Microinsurance Conference 2014.

Value-added services such as body repatriation, legal support, funeral services and cash-back are increasingly common features of products in this market. To succeed, products will have to devise ways of linking premiums with remittance payments and understand the family relationships that drive sales (see Figure 17). Yet the geographical distance and undocumented status of many migrants can pose challenges to ordinary operational processes of insurers.

Leveraging South Asian transnationals

Many South Asians from India, Pakistan and Bangladesh (*desis*[7]) now working in the United States have relatively higher incomes, which can be leveraged to provide higher-quality health care services for their loved ones at home. A market study investigated how much *desis* would be willing to pay to finance health insurance, and for whom. Among the respondents, the large majority of whom were students, it found a high upper threshold for such a service at US$ 46 per person per month. Respondents prioritised paying premiums for parents and grandparents rather than partners or children. Yet they displayed a lack of trust in insurance products and low confidence in the health system in the home country.

The **Naya Jeevan** transnational product launching in 2015 is designed to address this ethnic market, and plans to expand into Latin America with the same model. The company, which already provides low-income people with access to health care in South Asia, will act as an intermediary and service provider allowing *desis* in the US to finance telemedicine, digital medicine, and outpatient health care services for family members. The not-for-profit element of the company already allows migrants to provide coverage for 20,000 low-income recipients through philanthropic donations.

Naya Jeevan (Pakistan, India, Bangladesh)

Number of people insured
N/a

Insured risks
Outpatient health care for migrant's family at home

Premium range
US$ 360 per annum

Lessons learnt

- Regulatory challenges and regulatory uncertainty hinder the development of products serving transnational families.
- Programmes should work through community groups and social networks to establish trust; migrant associations are often market gatekeepers.
- The undocumented status of many migrants can make claims validation complex and hinder enforcement of migrants' rights.
- Nuanced understanding of family relationships is key. Given the geographical split within households, identify the target for marketing and communication: Different strategies are necessary for each side of the family.
- Distribution costs are high and online channels often pose regulatory problems: Group policies with migrant associations are a possible solution.

More information

www.microfinancegateway.org/library/risks-across-borders-study-potential-microinsurance-products-help-migrants-cope-cross-border

6
Magnoni, Lavoi, Brown, & Thornton (2010). "Risks Across Borders". Inter-American Development Bank.

7
Desi is a term for the people, cultures, and products of the Indian subcontinent or South Asia and their diaspora, derived from the Ancient Sanskrit (deśá or deshi), meaning country. Desi nations include India, Pakistan, Bangladesh, Sri Lanka, Bhutan, Burma, Nepal and the Maldives. Source: Wikipedia

Plenary 3

Global insurer approaches to microinsurance

The plenary discussed various providers' approaches to microinsurance across the world. It started with an overview of the "emerging consumer" and how this consumer is currently receiving insurance, based on data aggregated by Leapfrog Investments.

Across the Leapfrog portfolio, an average of 1.4 financial tools are being provided to each consumer. The most popular products are life and savings plans, which can include cash-back options at the end of a term if claims are not made. Forty-four different products are offered, including life, non-life, health, and savings and pension products (see Figure 18).

Approximately 57 % of customers are reaching providers through mobile methods, 20 % through the credit channel and 20 % via direct agents.

BIMA, which has 10 million subscribers in Africa, Asia and Latin America, uses mobile channels to provide insurance to customers, particularly emerging consumers. The company has created a loyalty scheme that ensures customers truly understand the product. Some 77 % of BIMA customers are first-time insurance purchasers, many of whom are initially reached through high-touch models.

Mahindra Insurance Brokers Limited (MIBL) provides an example of distributing insurance products through an existing credit model. MIBL utilises the branch/agent system of Mahindra Finance to provide its insurance products. The success of the structure indicates that existing models (typically not thought of as innovative) reach the emerging-customer base. Where infrastructure has already been set up, insurers can capitalise on it to offer low-cost products.

Mahindra Insurance Brokers Limited

Number of people insured
1.6 million

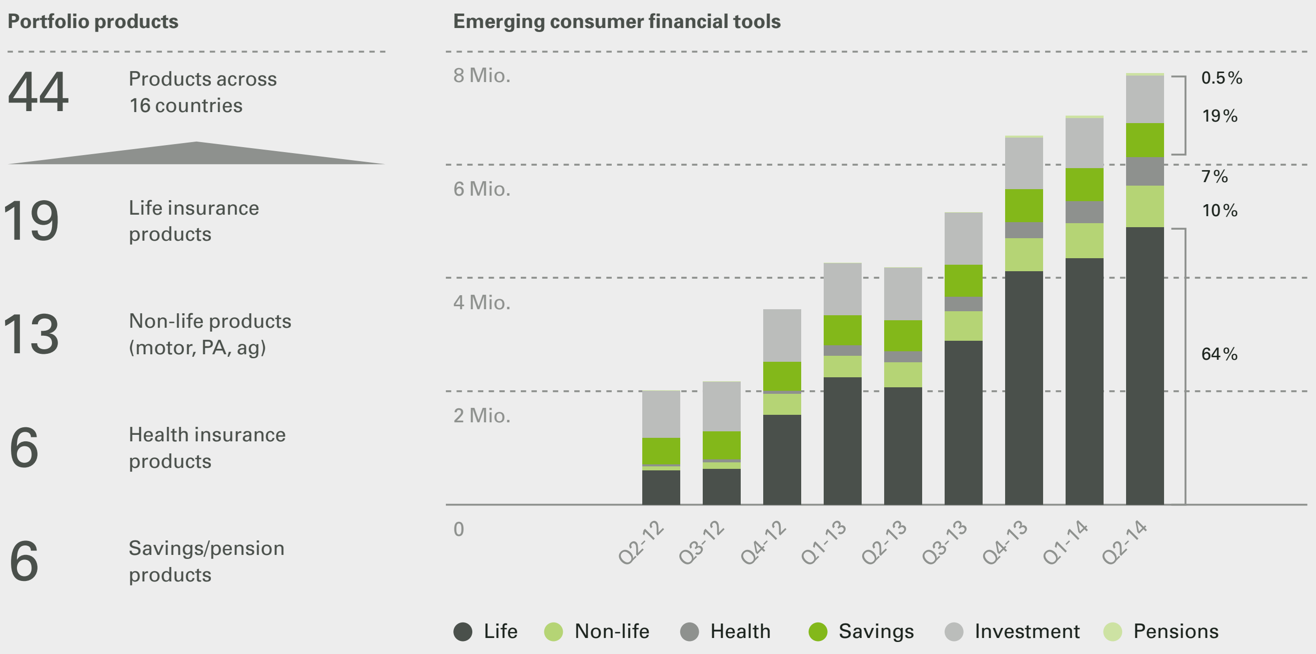
Insured risks
Life, general, health

Premium range
From US$ 2/month

Latin America

Narrowing it down to Latin America and the Caribbean region, the discussion moved to emerging vulnerable and middle classes in Latin America. "Poor" populations are defined as living below US$ 2 a day, while "vulnerable" populations live on between US$ 4–10 and "middle class" on between US$ 10–50 a day. The number of those living below the poverty line decreased between 2000 and 2012, but many remain in the "vulnerable" category (see Figure 19).

Figure 18
Diversity of products offered to emerging consumers (Leapfrog portfolio)



Source: Duncan, Samantha. Presentation "A profit with purpose approach to mass market insurance". 10th International Microinsurance Conference 2014.

Vulnerable populations remain more at risk than the middle class, with nearly 50 % who have no access to medical services, no right to a pension and no employment contract, as compared to approximately one quarter of the middle-class population. Vulnerable populations also have a high risk of falling back into poverty. This has implications for insurance providers, who may want to target these vulnerable populations. For-profit insurance companies have been utilising such assessments in their countries of work to determine how and where to distribute insurance products to low and middle classes.

The discussion turned to what various insurers are doing within their own markets to offer appropriate microinsurance products. **AXA,** a for-profit insurance provider, began targeting lower-income portions of the population over the last five years in Asia, Latin America, and Africa by actively investing in microinsurance and establishing partnerships towards its promotion. AXA currently offers microinsurance products in seven countries.

Bradesco

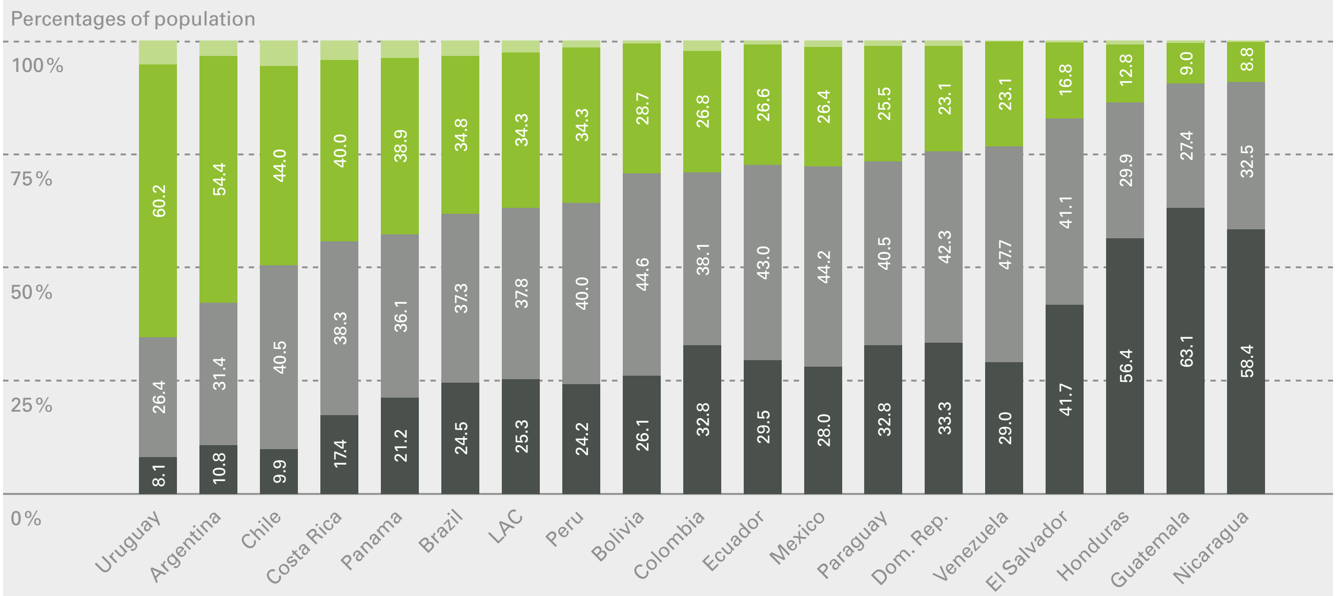
Primeira Protecao Bradesco
2.6 million policies sold
(between 2010 and 2013)

Insured risks
Accidental death, funeral assistance

Premium range
Starting at US$ 1.35/month

Brazil has experienced much growth and movement of the emerging vulnerable and middle classes, and is home to a variety of microinsurance providers that target these sections of the population. **Bradesco,** one such insurer, reported performing qualitative and quantitative research on middle classes that has resulted in the uptake of insurance by many first-time consumers. The culture of insurance in the country is changing, with more people transferring a portion of their income to insurance premiums, which has helped Bradesco's success.

Figure 19
Share of poor, vulnerable and middle and high income groups across Latin America (2012)



Source: Ortiz-Juarez, Eduardo. Presentation "Latin America emerging vulnerable and middle classes". 10th International Microinsurance Conference 2014.

Plenary 3
Global insurer approaches to microinsurance

Mapfre, another provider in Brazil, has also utilised research on household expenditures to design a marketing plan for its insurance products. Mapfre focuses on designing and distributing products to women, who it found are generally the decision-makers on insurance. The company has also integrated consumer needs such as discounted pharmaceuticals into insurance plans as a result of research findings.

Switzerland-based insurance company **Zurich** has taken a mass-distribution approach to microinsurance in Brazil, which it hopes to expand to other countries in the region. The company is capitalising on partnerships with well-known Brazilian providers to distribute insurance products to lower-income population segments. Zurich views mass distribution as critical to achieving scale and making microinsurance profitable. It expects to sell one million policies per month through its mass distribution model.

Different companies, however, hold differing opinions on whether profit or purpose comes first. **AXA** values purpose over profit, and has been losing money in the short-term through the provision of microinsurance. AXA believes it will be profitable in the long term. On the other hand, Bradesco and Mapfre stated that profit is most important, and that the scale of operations makes up for the extra costs incurred in developing a new product.

All insurers represented on the panel agreed that microinsurance must be profitable in the long term in order to be sustainable as companies evolve.

Lessons learnt

— Microinsurance, increasingly being regarded as a part of the mass market and offered to the emerging consumer, is distributed largely via mobile methods, which can be high-touch or low-touch as needed.

— In Latin America, people rising above the poverty line may not enter the middle class, and require insurance products tailored to their needs to keep them from falling back into poverty.

— Microinsurance can be both profitable and sustainable, and deliver benefits for a company and its beneficiaries in the long term.

More information

www.leapfroginvest.com/lf/

www.cnseg.org.br/cnseg/microsseguro/

www.axa.com/en/responsibility/customers-products/microinsurance-microfinance/

http://elibrary.worldbank.org/doi/abs/10.1596/978-0-8213-9634-6

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52 — Eugênio Velasques, Executive Director, Bradesco Seguros, Brazil.

53 — Left to right: Bento A. Zanzini, Executive Director, Grupo Segurador BB and Mapfre, Brazil; Diego Azevedo, Head of Mass Consumer, Zurich, Brazil; Eduardo Ortiz, Economist, UNDP, United States; Sam Duncan, Associate Director of Impact, Leapfrog, United Kingdom.

54 — Left to right: Brandon Mathews, Managing Director, Stonestep, Switzerland; Xavier de Bellefon, CEO, AXA-Mexico, Mexico.

Agenda

Day 3 morning sessions
13 November 2014

Parallel session 9

Distribution – Retailer/Banking correspondents

Bradesco Seguros:
A multi-channel approach

Rodolfo Ern
Superintendent, Bradesco Seguros, Brazil

Achieving scale and efficiency through alternative micro-insurance distribution models

Jeremy Leach
Director, BFA, South Africa

An exploration of informal retailers as agency networks

Catherine Denoon-Stevens
Researcher, Cenfri, South Africa

Facilitator
Miguel Solana
Technical Officer – Microinsurance, the ILO's Impact Insurance Facility, Switzerland

Parallel session 10

Challenges in microinsurance

When poor market knowledge leads to high costs

Isabelle Delpeche
Manager, Alternative Insurance Company, Haiti

Microinsurance peaks and troughs; Lessons from insurers in Zambia

Lemmy Manje
Microinsurance Consultant, Financial Sector Deepening Zambia/the ILO's Impact Insurance Facility, Zambia

Failure factors

Aparna Dalal
International Consultant, the ILO's Impact Insurance Facility, Switzerland

Facilitator
Thierry van Bastelaer
Principal Associate, Abt Associates, United States

Parallel session 11

Health 2 – Integrated view of health insurance delivery

Health insurance design: choosing the right "slice" of coverage

Barbara Magnoni
President, EA Consultants, United States

Leveraging mass insurance to provide more: Six pilot case comparison of primary care delivery through RSBY platform

Rupalee Ruchismita
Director, CIRM Design and Research Labs, India

Understanding the health-seeking behavior of clients and providing comprehensive health benefits with limited resources: Lessons from a private health microinsurance scheme in Lagos, Nigeria

Lauren Peterson
Research Analyst, Abt Associates, United States

Facilitator
Denis Garand
President, Denis Garand and Assoc., Canada

Parallel session 12

General insurance

Accident, health allowance and property microinsurance

Michael Schittek
Special Businesses Marketing Director, Seguros Atlas, S.A., Mexico

Response of insurance in the Philippines after Typhoon Haiyan

Antonis Malagardis
Program Director, Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) GmbH, Philippines

Introducing a new livelihood protection cover (LPP) in the Caribbean

Sobiah Becker
Project Manager, Munich Climate Insurance Initiative/ United Nations University (UNU-EHS), Germany

Facilitator
Maria Victoria Saenz
Lead Specialist, IADB, United States

Parallel session 13

How to promote microinsurance development in Mexico

Rafael González Añorve
Independent Consultant, Mexico

Alfredo Honsberg
Board member, Aserta, Mexico

Manuel Aguilera
President, CNSF, Mexico

Oscar Vela
Chief of Insurance, Pensions and Social Security, Ministry of Finance, Mexico

Facilitator
Recaredo Arias
CEO, AMIS, Mexico

Parallel session 14

Operations and IT – Health

Impact of smartcard technology on delivery of healthcare in IPD and OPD environment under health microinsurance: Lessons from ground zero

Sanjay Pande
Executive Director, Amicus Advisory Pvt. Ltd., India

Using mobile money to prepay for health in Africa

Fleur Henderson
Manager, PharmAccess, Netherlands

Covering health at scale without getting burnt

Peter Gross
Regional Director, Africa, MicroEnsure, United Kingdom

Facilitator
Thierry van Bastelaer
Principal Associate, Abt Associates, United States

Parallel session 15

Agro 2

Risk-transfer system for the agricultural sector in Peru

Philine Oft
Technical Advisor, GIZ, Peru

Piloting innovation-led transformation in Indian agriculture insurance

Rajbir Chadha
Assistant Vice President, HDFC ERGO, India

Mongolian case: Index-based livestock insurance program

Ulziibold Yadamsuren
Project Director, Index-based Livestock Insurance Project, Mongolia

Facilitator
Gary Reusche
Senior Operations Officer, IFC, Ukraine

Parallel session 16

Academic research 2 – Determinants of the demand

Who is graduating from informal to formal risk-sharing arrangements? Evidence from household survey data

Anja Erlbeck
Ph.D. Candidate, University of Cologne, Germany

Microinsurance demand after a rare flood event: Evidence from a field experiment in Pakistan

Ginger Turner
Senior Economist & VP, Swiss Re, United States

On the radio: Effectiveness of the Viva Seguro financial education program

Catherine Rodriguez
Associate Professor, Universidad de los Andes, Colombia

Facilitator
Glenn Harrison
C.V. Starr Chair of Risk Management & Insurance, Robinson College of Business, Georgia State University, United States

Parallel session 9

Distribution – Retailer/banking correspondents

The distribution process is important as it is the point of contact with clients. This session provided insights into challenges faced by evolving agent networks, a fresh look into the economics of distribution across the value chain to identify which levers need to be pulled to ensure viability, and a review of the use of banking correspondents in Brazil.

Agent networks

An agent is a third-party institution providing its customers with services on behalf of a financial institution. The financial institution benefits from the agent's geographical footprint, community connection and existing infrastructure. Such partnerships ensure cost-effective delivery and a valuable service offering to clients.

Agents have long been among the four traditional touch points of distribution, with brokers, branches and call centres. The use of information and communication technologies has spurred the evolution of indirect touch points, including MNOs, retailers, informal traders, gas stations, pharmacies, agro distributors, post offices and digital channels. These can be viewed as four main types of agent networks:

- Financial services provider-led (FSP)
- Mobile network operator-led (MNO)
- Payment systems provider-led (PSP)
- Fast moving consumer goods (FMCG) distributor-led

In some markets there may be a fifth category: the government-led network.

In reviewing the agents' role, two points seem most concerning: Firstly, most are new to offering the product and to the technology, and training and strong ongoing support are needed to ensure quality service provision and reduce churn – which, simply put, means the drop-out rate. Secondly, from the agents' point of view, regardless of the group to which they belong, the main challenge is to remain liquid. This is a transaction barrier which can damage trust. See Figure 20.

The ACTA of insurance

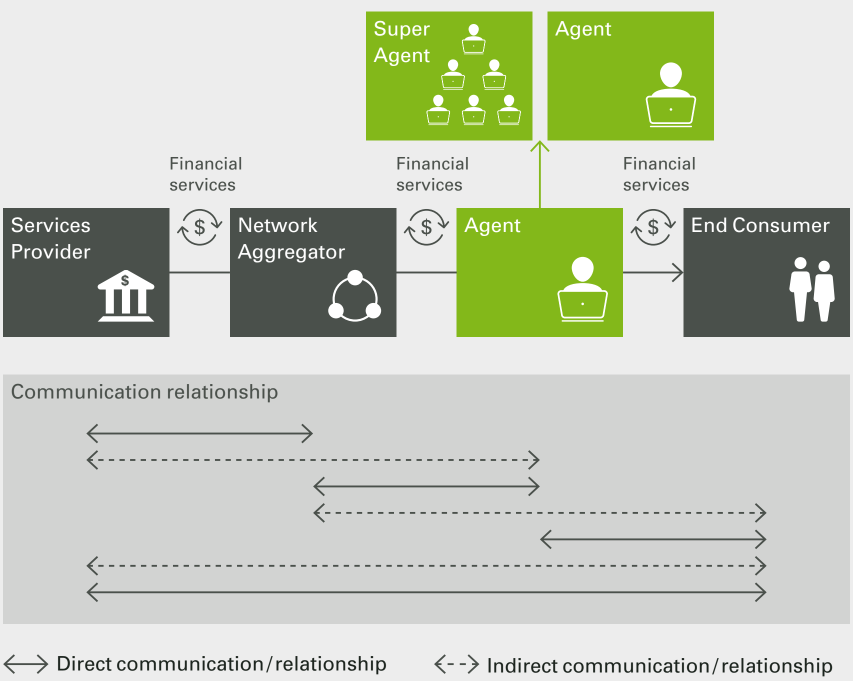
Microinsurance often has a complex value chain. Unless all parties are incentivised, a partnership will fall flat. Bankable Frontiers Associates, South Africa, has devised a look at the economics of insurance through the lens of ACTA.

The ACTA analysis, applied to each part of the value chain to assess its economics, involves four aspects:

- **A**ctuarial: balance between received premium and paid claims, reserves and other costs.
- **C**lient origination: balance between commissions paid and received, and product development, agent training, marketing and product promotion.
- **T**ransaction costs: accounts for administration, client servicing and claims servicing.
- **A**djacencies: investment income, average revenue per user for the partner, other indirect accounts.

Aside from economics, the ACTA model also is concerned about client value, with each of its segments corresponding broadly to **P**roduct (appropriate), **A**ccess, **C**ost (affordable), and **E**xperience (responsive) of the PACE model, which is dedicated to client value analysis.

Figure 20
Informal retailer agent networks



Source: Denoon-Stevens, Catherine. Presentation "Informal retailers and financial services: the emergence of agency typologies". 10th International Microinsurance Conference 2014.

55 — Rodolfo Ern, Superintendent, Bradesco Seguros, Brazil.

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The model shows that cost-effective agent activation and a good sales conversion are critical to reaching scale and keeping all parts of the value chain engaged. It also points out the levers that can be used to get more balanced incentives, fostering the scheme's sustainability.

For example in Brazil, a local agent was highly engaged in selling the Bradesco insurance product "Expresso Premiável". He invested in radio advertising, which led to 50 policies sold over a weekend. But when he found out that his commission was below the advertising cost, he stopped the radio initiative.

Multi-channel distribution in Brazil

In Brazil, cities are densely populated and many in remote areas of the country are difficult to access. **Bradesco Seguros** provides an example of effective multi-channel distribution involving banking correspondents[8] in the affiliated Banco Bradesco network. The network has 45,700 retailers, post offices, lottery outlets, pharmacies, groceries, supermarkets, construction material stores, etc. spread all over the country. Correspondents are managed by multipliers, who are insurance brokers in charge of training them and supervising their insurance sales.

The selling process is easy to perform and data transmission is reliable.

Between May 2012 and June 2014, the product "Bradesco Expresso Premiável" was sold by 802 correspondents, related to 68 multipliers. This product offered high flexibility to clients, who could choose the sum insured (thus adapt the premium) from four given values. But 90 % of the agents advised clients to buy the cheapest cover. Many did not understand insurance principles very well.

The product also contained a lottery component, which may seem strange in an insurance product, but Brazilian people are prone to gambling and asked for this.

Bradesco Expresso Premiável – replaced

Insured risk
Accidental death, funeral assistance

Benefits
Monthly lottery of US$ 1,135–6,810

Sum insured
US$ 1,135–6,810

Premium range
US$ 4.49–10.39 per year

In June 2014, the legislation changed, and the pilot had to stop. The regulator wanted to improve client protection, to make sure that clients are well informed, and that they are not misled and forced into buying extended guarantees.

The pilot will resume next year with a new product that has only one proposed sum insured. Food basket assistance for the family has been added in case of death, funeral assistance will now be granted even outside Brazil, and the lottery gain is substantially higher.

The session ended with a short movie available online, featuring a retailer selling a Bradesco policy to a client in a smooth and rapid way, and a woman, called directly on her phone, buying insurance through this channel.

Microsseguro Protecao Premiável

Insured risk
Accidental death, funeral assistance, food basket (US$ 45.457 per month) assistance for 2 months

Benefits
Monthly lottery of US$ 9,090

Sum insured
US$ 1,363

Premium range
US$ 13.63 per year

Lessons learnt

- Agent training and liquidity ensure quality service provision and reduce churn.
- Balanced incentives all along the value chain are key for a scheme's viability.
- Simple processes and products ease distribution and client protection.
- For distribution involving indirect touch points, a partnership with an IT company is useful to ensure that electronic channels remain robust.

More information

www.cenfri.org/microinsurance

www.bankablefrontier.com

www.cnseg.org.br/cnseg/microsseguro

56 — Jeremy Leach, Director, BFA, South Africa.

57 — Left to right:
Miguel Solana, Technical Officer – Microinsurance, the ILO's Impact Insurance Facility, Switzerland;
Catherine Denoon-Stevens, Researcher, Cenfri, South Africa.


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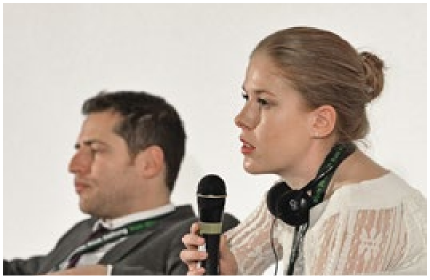
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Bradesco's banking correspondents are not people, as the name implies, but commercial entities whose primary business is not financial services. They serve areas and places too small for bank branches.

Parallel session 10 Challenges in microinsurance

Challenges and failure in microinsurance can be useful learning opportunities. Yet most often one hears success stories of rapidly scaling programmes, satisfied clients, and productive partnerships. In the long term, sweeping failures and underperforming projects under the rug does more harm than good – especially for poor clients. In this spirit, speakers in this session agreed to reflect on challenges that their projects or organisations have encountered and distil the lessons they have learnt from them.

Misunderstanding the customer base

A Caribbean insurer developed a transnational extension of an existing funeral insurance product, anticipating that second-generation members living in the United States would be interested in sponsoring funeral insurance policies for family back home. Because such ex-pat family members are often called upon to make large contributions to elaborate and extremely expensive funerals in the home country, the company assumed that it could market the funeral insurance product directly to these people living in the Diaspora. In the first year of operations, it hoped to sell 3,500 policies.

Three years later, the company has invested hundreds of thousands of dollars in marketing and developing a network of point-of-sale systems at money transfer agents in the US, yet has fewer than 1,000 active policies, and that although the product has an 85 % retention rate.

The company has identified several communication, marketing, and perception problems, as well as underlying product design concerns. Most fundamentally, **the marketing strategy underestimated the importance of communicating directly with potential beneficiaries of the product,** rather than with potential sponsors in the U.S. In fact, it was in local communities that the product encountered resistance and negative word-of-mouth, because Diaspora remittances for funerals constituted a significant revenue stream for many in the home country.

Second, **the company underestimated the expectations of potential sponsors,** many of whom saw no benefit for themselves in purchasing the product. The product's added value (annuity, annual cash back) had been designed for the beneficiary rather than the sponsor.

Lastly, the product encountered **mistrust and scepticism** among potential sponsors that the average monthly payment of US$ 28 could really secure a dignified "first class" funeral. Experiences with previous fraudulent funeral financing schemes within communities fuelled mistrust that the company could not overcome.

Currently the company is expanding the product to different areas of the U.S., redesigning product benefits and redeveloping partnership and communication strategies.

Complexity in outpatient health

In this case, a community health fund in India with a group hospital insurance policy developed an outpatient health insurance plan for members. The initial impacts of the expansion were positive: clients who accessed outpatient services were three times more likely to renew their coverage and half as likely to be hospitalised. Nevertheless, the scheme was terminated after one and a half years.

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58 — Isabelle Delpeche, Manager, Alternative Insurance Company, Haiti.

59 — Lemmy Manje, Microinsurance Consultant, Financial Sector Deepening Zambia / the ILO's Microinsurance Innovation Facility, Zambia.

60 — Aparna Dalal, International Consultant, ILO's Impact Insurance Facility, Switzerland.

Numerous factors led to this failure (see Figure 21). Few clients understood where or how to access outpatient benefits or renew the policy, resulting in a 27 % renewal rate. A complex chain of parties involved in claims management led to high numbers of rejected claims, generating a cash-flow problem for the community health fund. As a result, the programme's community health worker component was terminated and the entire outpatient scheme was forced to switch from a cashless model to a reimbursement-based system. Both developments dramatically reduced customers' use of outpatient services.

The majority of doctors and pharmacies, originally contracted as the provider network, dropped out because of dissatisfaction with rules, costs and low patient volume. As a result, only 50 % of members had access to outpatient services in their village.

In response to initial low take-up rates, the programme spread to far more villages than originally planned, yet never reaching beyond 3 % penetration. This customer acquisition strategy encouraged adverse selection, resulting in high claims ratios and unsustainable operations.

In addition, more than 40 % of clients were below the poverty line and thus eligible for the government-subsidised RSBY healthcare plan, which the community health fund was unable to compete with.

This experience underscores the importance of first developing more focused health products with limited flexibility and geographic scope. Simplifying products, claims and administrative procedures is critical to keeping expense ratios low. And educating the client base on benefits and procedures is crucial to ensuring regular renewals.

Figure 21
Factors driving failure in microinsurance

Source: Dalal, Aparna. Presentation: "Challenges in health insurance: Case of a community health fund". 10th International Microinsurance Conference 2014.

Parallel session 10
Challenges in microinsurance

First failure, then success, then what?

Two companies' experiences with distributing funeral microinsurance in a southern African country provide useful lessons and rules of thumb for all lines of microinsurance.

One company planned to use its sales agent outlets as the primary distribution channel while generating group sales via micro-entrepreneur marketer associations. The agent model suffered from very low sales performance, and the programme quickly ran into difficulties with the "marketer" associations, not all of whose members wanted to pay for group policies. After four months of sales, the company had covered only 700 lives and collected a third of the premiums originally projected.

The company began rebranding the same product under a new name and packaging it for women's associations, workers' unions and taxi and bus drivers' associations. A third brand was developed specifically for sales through banks and MFIs. In the first three quarters of 2014, the company covered over 17,000 lives, 10,000 of which were reached with the third branded product sold via partnership with a major bank. This demonstrates that **a multiple branding and distribution strategy can help sustain a product even at relatively low scale,** particularly if the risk profiles of target groups vary.

However, claims are rising quickly and the loss ratio is nearing 100%.This will require cross-cushioning claims payments with other lines and scaling the current product much further.

In the second case, another company planned to use individual agent sales, banks, and MFIs to distribute its funeral product. When this yielded only 400 covered lives, the company established a distribution partnership with the country's postal bank. The post bank is the primary channel for domestic money transfers, into which the insurer arranged for funeral coverage to be embedded. The more money customers transfer, the more insurance coverage they receive. This strategy has enabled the company to expand to over 220,000 lives in five months.

However, the company made no investments in marketing or consumer education, and most customers are not aware of their coverage. Claims are virtually nonexistent. Seeing no added benefit to its own operations, the post bank now wants to dissolve the partnership. This illustrates that **embedded strategies still require investments in marketing and client education,** as partnerships can easily collapse if the partner does not see value.

Lessons learnt

- In transnational microinsurance models, understanding intra-community and family relationships is key. Targeting communication at product beneficiaries may be more successful than targeting sponsors in the Diaspora.
- Low initial take-up rates can spur reckless changes to customer acquisition strategies, exposing schemes to adverse selection.
- Third-party involvement in claims administration can create costly and cascading disruptions to the system.
- Individual sales strategies are unlikely to yield scale. Embedding, bundling, and group sales are more promising but still require concerted marketing and education.

More information

www.cenfri.org/microinsurance

www.bankablefrontier.com

www.cnseg.org.br/cnseg/microsseguro

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61 — Thierry van Bastelaer,
Principal Associate,
Abt Associates, United States.

Parallel session 11

Integrated view of health insurance delivery

The session discussed different methods for providing health insurance in low-income markets. A Guatemala project experiments with "vertical slicing" of insurance coverage, and a scheme in Nigeria attempts to offer low-income workers a comprehensive insurance product. An insurance scheme in India performs pilots to determine the best way to package and deliver primary care services in an insurance product for low-income markets.

Choosing appropriate levels of health insurance

Insurers provide health insurance to meet a variety of social and commercial objectives. When choosing what coverage to offer, providers prefer to offer relatively comprehensive coverage, representing levels from preventative to in-patient care for a broad range of healthcare needs. However, this becomes costly for both the provider and consumer, and taking away levels of care can reduce demand for the product. One alternative is to offer a "vertical slice", which covers one track of care all the way from preventative to in-patient and medication. The VivoSegura programme in Guatemala tried this vertical-slice method to cover the cost of gynaecological healthcare needs. A study of this product found that insured individuals who used the product to cover only outpatient care spent less out-of-pocket for those visits than the uninsured, but spent more when the cost of their insurance premium was included. Other studies of insurance coverage for higher-cost events found more compelling financial value in those products. However, VivoSegura had value in promoting behaviour change among insured individuals, who began going to the doctor when they had fewer, milder symptoms than those uninsured. There are both advantages and disadvantages to covering different slices and a perfect balance has not yet been found. Insurers need to carefully consider clients' healthcare needs, motivations, costs, and existing financing tools to determine the best "slice" of coverage.

Lessons from health microinsurance in Nigeria

Providing low-income markets with comprehensive health insurance products is challenging without a subsidy. A private health microinsurance scheme in Lagos, Nigeria, examined the successes and challenges of such a product that attempted to offer an insurance option for all low-income workers in the city. The project found that working in an urban environment presented **challenges in reaching and targeting clients as they often had no formal address** and spent much of their time at work. Potential consumers also had a low level of awareness of insurance, and those who were aware had knowledge about subsidised products and were sceptical about paying. The project chose to work with a microfinance bank that had an existing relationship with clients. Loan officers collected insurance premiums and distributed information about insurance during their weekly loan collections. The product was made mandatory for microfinance borrowers, but voluntary for their families. Discrepancies in enrolment (see Table 2) led to an in-depth analysis of how the programme was working.

The microfinance bank experienced challenges and delays with processing paperwork and distributing insurance cards, which resulted in clients losing trust in the product. Many threatened to leave the bank if they were forced to buy insurance, so the bank stopped mandating purchases. The key lesson learnt through the project was that **it is important to understand what each partner gains from an agreement.** The insurer saw value in the bank's distribution model, but ultimately the provision of insurance undermined the bank's core model of lending. Clients also seemed to be misinformed about the product, which led to disappointment when their expectations weren't met.

Among urban clients, individualised education is key to increasing enrolment where there isn't a culture of insurance. When working with loan officers, enrolling them and their families in the insurance product could be a good way to provide them with first-hand experience of the product and help them explain the value better to potential clients. Better management of the partnership, and ensuring that value as perceived by all, would result in better results across the board.

Table 2
Enrolment in mandatory insurance scheme

	Enrolled (N=335)	Un-enrolled (N=82)	Difference (p-value)
Female	54 %	55 %	–0.90 (0.61)
Household Income:			
Lowest quintile	22 %	12 %	10.20
Highest quintile	16 %	27 %	–10.80
All quintiles	–	–	(0.04*)
Heard of Insurance Prior to Enrollment Period	64 %	38 %	26.0 (0.005**)

Note: Clients uncertain of enrollment status excluded (10 % of clients)

Source: Peterson, Lauren. Presentation "Extending health insurance coverage to informal sector workers in urban settings". 10th International Microinsurance Conference 2014.

Parallel session 11
Integrated view of health insurance delivery

Offering primary health care in India

Rashtriya Swasthya Bima Yojana (RSBY)

Number of people insured
37 million

Insured risk
Health

Premium range
Varies by state, paid by the government

Rashtriya Swasthya Bima Yojana (RSBY), the government-run health insurance scheme in India, performed pilot projects in the country to determine the best way to provide primary-care insurance products in low-income markets. Findings revealed that most people choose not to opt for primary care because of long travel distances, so insurers should work with a stand-alone primary provider or network of providers that are close to clients.

Use of outpatient services among the insured was quite low. Some pilots experienced difficulties with service providers, who were displeased with the levels and frequency of their reimbursement. RSBY also attributes low outpatient usage to a lack of the “holy trinity” of services, which encompasses diagnostic services, medication and consultations. Looking at what has been successful in other countries, capitation may be good for integrating the three services, whereas using a fee-for-service model may not have the infrastructure to support all three.

Based on its pilot programmes, RSBY recommends that health insurers network outpatient providers for comprehensive health centres, encourage providers by using a capitation model, use risk-based pricing and explore telemedicine options to achieve proximity to the client. A second recommended model includes utilising individual outpatient providers with a pre-defined annual coverage limit, subsidies for generic medications and utilisation of telemedicine and community health workers (see Figure 22).

Lessons learnt

— It is important to try and work alongside the government and take into account politics and existing policies within a market.

— Utilising a service that can be provided with telemedicine or leveraging community health workers can be effective and sustainable.

— Insurers must take into account the perception of value that partners and potential customers see in a product for it to be successful.

More information

www.rsby.gov.in

www.eac-global.com

www.abtassociates.com/InternationalHealth.aspx

Figure 22
Recommended models for comprehensive health care provision

Model 1
— Networked OP Providers for single point of drug, diagnostic and consulting access
— Capitation for provider payment mechanism
— Risk-based pricing
— Telemedicine and community health workers for last mile care

Model 2:
— Individual OP providers
— Pre-defined annual limit of coverage
— Subsidies for generics and telemedicine
— Telemedicine and community health workers for last mile care

Source: Ruchismita, Rupalee. Presentation “Primary care through universal health care models”. 10th International Microinsurance Conference 2014.

62 — Lauren Peterson, Research Analyst, Abt Associates, United States; Denis Garand, President, Denis Garand and Assoc., Canada; Rupalee Ruchismita, Director, CIRM Design and Research Labs, India; Barbara Magnoni, President, EA Consultants, United States.


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Parallel session 12 General insurance

The focus here was on microinsurance products adapted to climate perils to which some parts of the world are particularly exposed. In these places, low-income people are generally the most severely affected. This session discussed how three different microinsurance experiences (in the Philippines, the Caribbean islands and Mexico) dealt with extreme events linked to climate change.

Post-microinsurance response to Haiyan in the Philippines

In 2013, the Philippines suffered one of the deadliest tropical cyclones ever recorded. It affected 16 million people, and generated 111,000 claims (98 % as calamity claims).

This extreme event raised many microinsurance issues. **Access and logistics were first and foremost: the areas and communities hit could not be reached;** the mobile phone system failed completely; and the identification of affected people was extremely complicated because of the population displacements after the typhoon. Secondly, the process of claim payments was slow, considering that one year later some payments were still being made. Also, some of the insurance companies had no reinsurance. And what made things worse for them was anti-selection: almost all the microinsurance products covered calamities.

Haiyan taught many lessons. At the product level, there is a need for more non-life insurance such as property, business interruption and crop, considering that those hardest hit were farmers and agricultural businesses. There is also a need for clients and intermediaries to better understand the calamity cover. Though small amounts of insurance covering a large number of people fills the gaps of international aid, higher benefits for hardest hit areas could help rebuild communities.

To locate and identify those affected, it is important for microinsurers to work with intermediaries (such as MFIs' local branches) that have regular contact with clients. The typhoon brought to light the need for preparedness. Detailed planning for a disaster and coordination between the insurance provider and intermediary can produce a prompt settlement of claims.

A number of recommendations emerged from a study of microinsurance providers' response to Haiyan, commissioned by GIZ and the MiN (see Box 5).

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63 — Antonis Malagardis, Program Director, Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) GmbH, Philippines.

64 — Sobiah Becker, Project Manager , Munich Climate Insurance Initiative/United Nations University (UNU-EHS), Germany; Michael Schittek, Special Businesses Marketing Director, Seguros Atlas, Mexico.

Box 5

Lessons from Haiyan

- There is a need for more non-life insurance (property, crop insurance) as those hardest hit were farmers and agricultural businesses. Protection for business and livelihood interruption is also needed.
- Inconsistency of definition in accident products across the companies could cause confusion with clients. For consumer protection and understanding, these definitions need to be clearer and communicated to clients.
- Clients and intermediaries require better understanding of the calamity coverage. Insurance companies need to be strong enough to honour valid policy commitments.
- Higher satellite resolution is needed for effective crisis mapping.
- More capacity building is required for intermediaries to verify claims and quickly reject invalids. Efficiencies in claim processing should be improved.
- Agreements are needed with providers and reinsurers on the amount of funds to be advanced in case of large scale events such as Haiyan.
- All providers and intermediaries need to have a liquidity policy that enables prompt payment of claims in large scale disasters.

Source: Malagardis, Antonis. Presentation "Microinsurance response to Typhoon Haiyan in the Philippines". 10th International Microinsurance Conference 2014.

Parallel session 12
General insurance

Index-based weather microinsurance in the Caribbean

The Caribbean islands are also exposed to extreme weather. Some Caribbean states requested an analysis of the role risk-transfer instruments could play in adaptation to climate change. This project, led by the Munich Climate Insurance Initiative (MCII), showcased how insurance contributes to risk reduction and adaptation.

With the goal of building resilience to extreme climate shocks for low-income populations, the project developed a parametric weather index-based insurance product. Covering wind-speed and rain, it includes a livelihood protection policy for individuals and a loan portfolio cover for institutions such as credit unions. It is flexible (beneficiaries determine the level of coverage they require) and promises fast response (the payment is made within15 days of the shock). A special feature is preventive advice to clients about extreme weather events. The claim process is simple: if the index trigger is activated, clients are sent a message that they will receive an indemnity.

An important objective of the project is to build financial literacy in the communities it serves, through collaboration with disaster management agencies and government institutions such as agriculture and finance ministries.

As a new parametric insurance plan, it has faced challenges such as ensuring conducive regulatory and legislative frameworks, limited historical data and increasing scale beyond the three islands it now serves: Jamaica, St. Lucia and Grenada.

Mexico: the Seguro Atlas experience

Mexico is also a country particularly vulnerable to hurricanes (from the Caribbean and Pacific sides). In 2010, the State of Tabasco suffered a strong hurricane. The insurance company Atlas adjusted claims for that event from almost 10,000 homes it insured through a social microfinance institution. It indemnified mainly buildings, doors, windows and painting. The average indemnity payment was 15,000 Mexican pesos (US$ 985). One of the big challenges for the company – as in the Philippines case – was identifying the people after the disaster.

There is a need to develop disaster products, but microinsurance companies face many regulatory restrictions. One is a maximum premium for a microinsurance product that cannot be exceeded. Also, microinsurance companies have to create catastrophe reserves on the same basis as mainstream insurance companies, making the reserves unaffordable.

Parametric insurance can be a solution to increase access to insurance against extreme climate events. It has the advantage that no loss adjustments are required, sharply reducing operational and administrative costs. But it requires historical data to establish the index and generally a lot of back-up from reinsurers in case of large-scale events.

Additionally, the microinsurance sector in Mexico faces a number of challenges to increasing its coverage: low-income clients have a low prevention mentality. They generally wait for social programmes to subsidise products and are reluctant to buy insurance. And the distribution channels also need special attention to help people understand the products offered.

Lessons learnt

- In post-disaster situations, local intermediaries such as microfinance institutions hold the key to tracking and identifying people to indemnify. The use of satellite images also helps to pinpoint the most affected areas.
- Index-based insurance can be a solution to increase access to insurance against natural disasters. But for microinsurers it can be difficult to obtain the historical data needed for an index and reinsurance support.
- There is a need for appropriate and supportive regulations and legislation to enable microinsurance cover for extreme climate events, particularly with regard to reserving requirements.
- Microinsurers need to work on financial literacy and risk prevention education for distribution channels and the targeted populations.

More information

www.climate-insurance.org

www.inclusiveinsuranceasia.com

www.segurosatlas.com.mx

65 — Maria Victoria Saenz, Lead Specialist, IADB, United States.

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Parallel session 13

How to promote microinsurance development in Mexico

This session discussed how to promote microinsurance development in Mexico despite different challenges that face the sector, in order to increase the coverage of low-income people and the quality and diversity of insurance products.

Public policies and public-private alliances

In Mexico, low-income people have two ways of access to insurance: public and private. There are social programmes such as Progresa (conditional cash transfer) and Crezcamos Juntos (access to health and social security). Furthermore, the government has developed programmes such as FONDEN (national disaster fund) and CADENA (safety net for small-scale farmers) to indemnify affected areas and people in the event of a disaster. And there are private insurance companies offering some microinsurance products.

Public and private entities have mutual incentives to create alliances. The government is interested in increasing access to insurance for vulnerable people, and the insurance sector can provide mechanisms to reach that sector, but in practice there are few public-private partnerships in Mexico. Greater involvement of private insurance companies in public programmes could be a solution giving long-term viability to social protection interventions.

Also, one of the most common ways for government to facilitate access to insurance for low-income populations is to subsidise the premium cost, as it currently does in Mexico for the agricultural sector. Subsidisation of other products could be a solution to reduce the insurance cost for low-income people. However, there is a need for government to foresee a good exit strategy before implementing a premium subsidy. Subsidies have to work as an incentive to the consumer to use insurance mechanisms, not as a social assistance tool that does not create an insurance culture among those helped.

In the same vein, a big challenge for social assistance programmes is to activate the participation of people that in some cases are not aware that they have access to public coverage – as is the case with CADENA.

Insurance and private-private alliances

There is a need for Mexican insurance companies to offer more diversified microinsurance products. Disaster insurance schemes are particularly important for vulnerable people for compensation and rehabilitation following disaster. But these products involve higher costs for both companies and customers. **One solution for reducing the cost of such products could be to create a consortium of private insurance companies.** Such private-private alliances could spread the risk and reduce distribution and operating costs through economies of scale – resulting in lower premiums for policyholders.

Distribution channels

In Mexico, the insurance sector pays a high cost for distribution – as much as 80 % of the total cost of the product. This huge distribution cost inevitably affects the capacity of the consumer to purchase insurance. In the negotiations between insurance companies and distribution channels, the channel owners generally win, because there is little competition in Mexico between distribution channels. Also, insurance companies tend to negotiate exclusivity contracts that increase the cost of distribution. In the case of microinsurance, this high cost could threaten its social mission.

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66 — Left to right: Recaredo Arias, CEO, AMIS, Mexico; Oscar Vela, Chief of Insurance, Pensions and Social Security, Ministry of Finance, Mexico; Manuel Aguilera, President, CNSF, Mexico.

67 — Alfredo Honsberg, Board Member, Aserta, Mexico.

68 — Rafael González Añorve, Independent Consultant, Mexico.

Parallel session 13
How to promote microinsurance development in Mexico

There is therefore a need for Mexico's insurance sector to think about alternative distribution channels. Compared with markets in Asia and Africa, the use of mobile distribution is quite low in Mexico. It has the potential to increase insurance outreach, considering that 104 million mobile phones are registered in Mexico.

Other channels could also be used – such as local saving banks. Using the customer bases of these intermediaries could be a way of increasing the use of insurance in the country. Moreover, the use of mobile distribution through such intermediaries could help reduce insurance costs. Above all, there is a need to better think through which product to offer through which channels, in order to sell them efficiently.

The role of regulation

Regulatory bodies have an important role to play in facilitating development of microinsurance in Mexico (see Box 6). Linked to the previous point, a key role of the government is to ensure more competition among distribution channels to avoid monopolistic situations that have a negative effect on the cost of microinsurance.

Box 6

Enabling microinsurance regulation

To ensure proper distribution of microinsurance that allows sustainability, necessary changes to allow their massive promotion should be made, requiring the following:

- Public-private partnerships through assistance programmes that contribute to spreading the benefits microinsurance provides, for added confidence.
- Microinsurance agents do not have to be certified to sell these policies and they can be distributed throughout massive channels.
- Leverage technology: Promote mobile device transactions, digital signature recognition and mandatory clauses that do not have to be included in the policy.

Source: Churchill, Craig. Presentation "The role of insurance associations in supporting market development". 10th International Microinsurance Conference 2014.

Mexico has adopted a new regulatory framework for the insurance sector that includes some elements of support for the development of microinsurance in the country. A significant change is that the premium cost limit that existed for disaster insurance has been eliminated to link it to the insured amount. This change will facilitate the design of new disaster products. Even if it is not focused on microinsurance, the new regulation helps to distinguish between that sector and traditional insurance, thus minimising the likelihood of both sectors being regulated by the same rules. A part of that new framework is also designed to guarantee better customer protection, which would help create more trust in microinsurance among the public.

Lessons learnt

- There is a need to create more public-private alliances in Mexico, but also private-private partnerships in order to reduce the product development and distribution costs of insurance companies.
- An important strategy for the Mexican government to increase access to insurance for low-income people is premium subsidisation. But subsidies have to work as an incentive to use insurance and develop an insurance culture, not just as a social assistance programme.
- The cost of distribution channels is very high in Mexico. Insurance companies should look for other channels, such as mobile distribution. Government should also ensure competition among distribution channels.
- The new insurance regulation framework includes some key points to increase and diversify the offer of insurance products to low-income communities.

More information

www.amis.com.mx

www.microseguros.org.mx/regulacion-mexicana-de-los-microseguros/

Parallel session 14

Operations and information technology (IT) – Health

This session discussed the experiences of different providers with using information technologies, including smartcards and mobile money, to provide microinsurance. Two initiatives in India have had positive experiences using smartcard technology for low-income markets, although they faced some challenges. Mobile money, successful for microinsurance initiatives in Kenya, has also been used in other African countries to help an insurance company achieve scale.

Utilising smartcard technology to deliver patient care

There are two large microinsurance initiatives in India that use smart cards: one health insurance policy for trade workers and another for the population below the poverty line (see Figure 23).

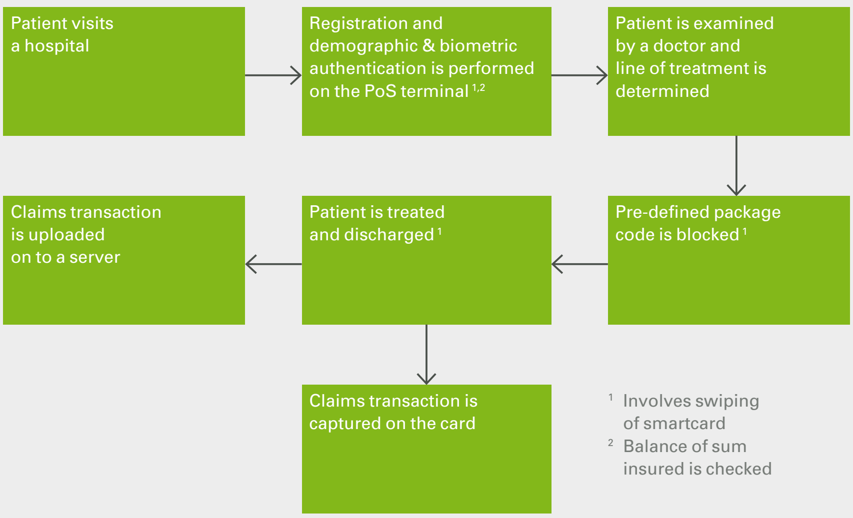
Each client receives a personalised smartcard that is preloaded with the demographics and biometrics of the insured family members, in addition to entitlement limits. Patients visit one of the hospitals in the insurance network and biometric verification is performed to prevent fraud. A doctor examines the patient and then enters a pre-defined code into the POS system that corresponds with the treatment the patient receives.

Claims and underwriting are paperless, although medical records are still in physical form. Cards must allow patients to see their balance each time they swipe their card at the hospital. Both programmes found that the **technology led to more effective delivery of both outpatient and inpatient care.** Using the cards has allowed the real-time tracking of expenses and balances which were previously tracked manually with a considerable time-lag.

Since the implementation of the cards, the average claim size has gone down, and pre-packaging of treatments has reduced the prevalence of over-billing, thus reducing supply-side cost.

There have been challenges with the use of the cards, including a lack of infrastructure in some hospitals. The scheme also misses a large portion of the population, and many rural areas have misgivings about being photographed and fingerprinted, which is necessary when creating the card, to prevent fraud. The technology required to use the card is capital-intensive, and electricity and internet must be present for the system to work. However, feedback from stakeholders indicated that customers were pleased with the services they received and that hospitals wanted to continue their association with the programmes.

Figure 23
Obtaining healthcare using smartcard technology



[1] Involves swiping of smartcard
[2] Balance of sum insured is checked

Source: Pande, Sanjay. Presentation "Smartcard technology in delivery of outpatient and inpatient care: Learnings from some microinsurance initiatives in India". 10th International Microinsurance Conference 2014.

Parallel session 14
Operations and information technology (IT) – Health

Mobile money for healthcare payments

PharmAccess Group, a Dutch NGO that aims to strengthen health systems in sub-Saharan Africa, partnered with Safaricom (M-Pesa) to launch the Health Pin with the mobile health wallet. The Health Pin channels not only funding for specific health benefits such as vaccines, malaria treatment or antenatal care to specific beneficiaries through a mobile wallet, but also collects (medical) data, handles payments to providers and reports back to funders on the spending of their financial contributions. In essence, Health Pin offers a combination of healthcare transaction and utilisation information services through the M-PESA mobile money platform. PharmAccess is currently testing this in its mHealth Lab.

PharmAccess has examined the landscape of health and insurance in Sub-Saharan Africa, facing many challenges during implementation and learning a number of lessons. Over the past years, collecting premiums and paying claims have been cumbersome and expensive, and they can be dealt with much more cheaply using the mobile health wallet. The PharmAccess group in collaboration with Safaricom began looking at the potential of using mobile money for healthcare transactions in Kenya, as already 60% of the country's GDP was flowing through mobile money.

Using mobile money, payments and funds can be uploaded via a mobile phone, and funding can be earmarked specifically for healthcare. The lab is currently developing a closed-loop health wallet that would make it impossible for funds in the wallet to be used for any purpose other than healthcare.

Vouchers and cash, through savings or remittances, can also be uploaded onto a mobile health wallet. Through the system, beneficiaries can upload cash onto their phone (which does not need to be a smart phone), and after going to a clinic, the healthcare provider is reimbursed within minutes of entering the data into the system. **The digital flow of money incentivises providers, who can receive their money much more quickly than previously.**

All parties are protected from fraud, as they must confirm transactions with a PIN. Having cash loaded onto a mobile health wallet has also resulted in fewer robberies and more women coming to clinics to deliver babies at night, as they no longer have to carry cash. However, both the patient and healthcare provider must be registered in the system, which means they must both be signed up with M-Pesa. The programme hopes to scale-up throughout the country and begin implementing vouchers for maternity care.

Experiences covering healthcare on a large scale

MicroEnsure, UK, has explored the provision of microinsurance on a large scale in a variety of different countries. It learned through projects in India and Tanzania that providers and private players are not always incentivised to participate or to provide quality care in a microinsurance scheme. It has launched low-touch programmes in Ghana and the Philippines using loans. Client insurance is linked to loan payments, so when they go to the hospital they are allowed to forego loan payments for an amount of time that corresponds with the amount of insurance coverage. This programme has worked well to introduce patients to insurance and set the stage for other products.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69 — Sanjay Pande, Executive Director, Amicus Advisory, India.

70 — Left to right: Fleur Henderson, Manager, PharmAccess, Netherlands; Sanjay Pande, Executive Director, Amicus Advisory, India; Peter Gross, Regional Director, Africa, MicroEnsure, United Kingdom.

MicroEnsure (UK)

Number of people insured
15 million

Insured risks
Agriculture, life, disability, health, redundancy, political violence, property, weather index

Premium range
Varies by country

In Nigeria, insurance coverage is linked to Airtel mobile money: the more airtime clients purchase, the more hospital coverage they receive. As long as the clients remain with Airtel, they do not lose their hospital coverage. This has also served as a good introduction for clients to microinsurance: **the experience avoids complexity in order to give clients a positive first-time experience** with the service. Creating a positive first-time experience has enabled MicroEnsure to achieve scale.

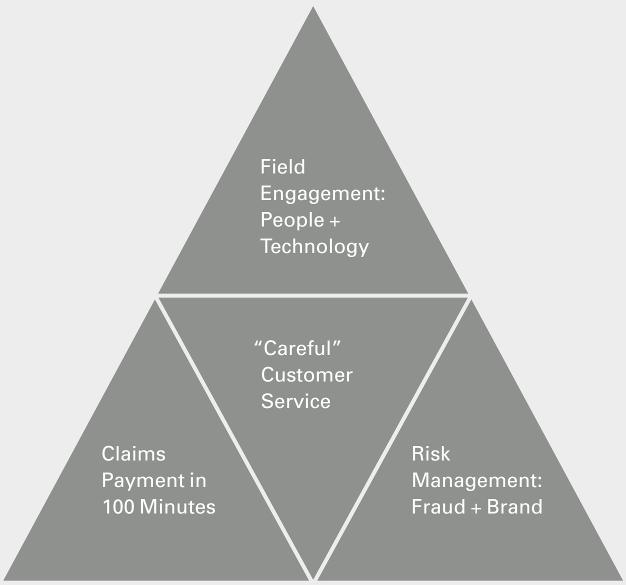
However, achieving full scale for billions of people by offering full coverage at no charge is a big challenge. The hope is to achieve both scale and impact, but MicroEnsure's approach is to start with scale and attempt to achieve impact through that. Airtel agents explain the product to customers, and are motivated to do so because it creates value for Airtel. Consumer education can be spread through a text message or a brief phone message, and claims can be taken care of by telephone as well. Clients are protected because a fraud analysis is done through the phone call.

The company hopes to increase its offerings in the future to include health tips and education, a "dial-a-doctor" programme, and deeper in- and outpatient products. To remain sustainable, the long-term plan is to increase prices once trust and willingness to pay are created. See Figure 24.

Lessons learnt

- Technology can be a good way to increase efficiency of microinsurance programmes and protect consumers by allowing them to forego carrying cash.
- Using IT in microinsurance can reduce costs for providers and facilitate faster disbursement of claims, benefiting both the supply and demand sides.
- Using technology presents challenges, especially where electricity and internet are unreliable. Poorer population segments may also be left out.
- IT can help microinsurance providers to achieve scale, although care must be taken to ensure that impact and quality are also provided.

Figure 24
Technology: What we do to support robust operations



Source: Gross, Peter. Presentation "Covering health at scale without getting burnt". 10th International Microinsurance Conference 2014.

More information

www.pharmaccess.org

www.microensure.com

71 — Thierry van Bastelaer, Principal Associate, Abt Associates, United States.

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Parallel session 15 Agro 2

This session examined three public-private partnerships in Peru, India, and Mongolia to lay out the successes and challenges that such programmes encounter in product design, scaling, and partner relationships.

The last five years have seen rapid changes in what practitioners, researchers and donors consider to be the best strategies to advance agricultural microinsurance. Given low take-up rates of private voluntary products and the argument for government-subsidised programmes to provide rural social protection, public-private partnerships (PPPs) are now in many cases considered best practice.

Peru: Approaching risk transfer as a system

For more than twenty years, public and private initiatives to develop an agricultural insurance market in Peru have met with little success, despite the producers' heavy exposure to drought, excessive rainfall and flooding. Less than 9 % of the country's cultivated area is covered by private agricultural insurance, although a fully subsidised government catastrophe cover exists for subsistence farmers. Posing challenges for a coherent agricultural insurance scheme, the government's political priorities have historically shifted following each election; frequent turnover of personnel and ministers exacerbates the problem.

These challenges motivated the German Ministry for the Environment and the German development agency GIZ to launch the Climate Agriculture and Risk Transfer project in 2014. The project builds a partnership between numerous Peruvian governmental institutions, local and regional governments, agricultural producers and producer associations, private insurers and global reinsurer Munich Re. It will develop institutional and legal structures for a risk-transfer system, establish a geo-referenced data-collection system for agricultural yields and train specialist staff and decision-makers in the management and monitoring of the risk-transfer system. **The shift to an area-based yield approach is caused by previous challenges experienced with high basis risk in weather-index-based products.** The project expects to build a formal cooperation mechanism and risk pool among private insurers, through which they can approach the state as a single body. Likewise, it will develop a suite of crop insurance products with uniform conditions for all insurers.

India: Mainstreaming with technological innovation

India's experiences with three distinct subsidised agricultural insurance schemes since 1999 illustrate the benefits and drawbacks of various programme designs and delivery mechanisms. In sum, the schemes currently cover more than 25 million rural agricultural households. This **penetration is largely thanks to a legal provision mandating banks to offer crop insurance to farmers** with agricultural credit who use their land as collateral.

The National Agricultural Insurance Scheme (NAIS), which ran from 2000 until it was formally discontinued in 2012, was an area-based yield programme implemented by the public Agricultural Insurance Company. Payouts to farmers were triggered by crop-cutting experiments measuring average area yields. The government took liability for all claims that exceeded the value of premiums paid. Given that loss ratios were consistently between 200 and 500 %, this resulted in unsustainable claims subsidies and considerable delay in payments. The programme was also troubled by adverse selection, tampered yield data and high loss-assessment costs. The Modified National Agricultural Insurance Scheme (MNAIS) was launched in 2011, with implementation via private-sector providers. It uses a greater density of crop-cutting experiments to increase the accuracy and granularity of average yield data. Farmers' premiums are still partially subsidised by central and state governments, and the government takes liability for losses exceeding 500 % of premiums.

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72 — Philine Oft, Technical Advisor, GIZ, Peru.

73 — Rajbir Chadha, Assistant Vice President, HDFC ERGO, India.

Depending on a state's climate profile and main crops under cultivation, administrators may instead choose to implement the Weather Based Crop Insurance Scheme (WBCIS). Also implemented by the private sector, WBCIS is based on indices derived from reference weather stations. Although premiums are subsidised, there is no claims subsidy. Weather indices result in faster claims settlement and lower loss-assessment costs than NAIS/MNAIS, but entail high start-up costs due to the density of weather stations required. Although premiums are higher, more farmers receive payouts under WBCIS (33%–88%) than under NAIS/MNAIS (20–40%).

Because there is no long-term allocation for insurance within the government's budget, seasonal allocations lead insurers to adopt short-term design and implementation horizons. Delays in premium subsidies further strain insurers' operations. The central government's current push for standardisation of products and scheme guidelines hopes to facilitate longer-term district budget allocations and allow timely subsidy releases.

National Agricultural Insurance Scheme (formally discontinued) (India)

Number of people insured
17 million (2012)

Insured risks
Agricultural yields (non-horticultural)

Premium range
US$ 14 to 16 per hectare per season

Modified National Agricultural Insurance Scheme (India)

Number of people insured
3 million

Insured risks
Agricultural yields

Premium range
US$ 12 to 70 per hectare per season (depending on crop, season, state)

Weather Based Crop Insurance Scheme (India)

Number of people insured
13.6 million

Insured risks
Weather (excess or lack of rain, including horticulture)

Premium range
US$ 50 to 190 per hectare per season (depending on crop, season, state)

Mongolia: Achieving national scale

The case of Mongolia provides an example of an insurance scheme that has transitioned from a pilot to a nation-wide programme covering more than 10% of Mongolia's 145,000 herder households. As one of the least densely populated countries in the world, Mongolia presents major challenges in terms of service delivery and market access, but the country's constitution includes the state's obligation to protect its roughly 40 million livestock, which account for 85% of agricultural GDP.

The largest risk livestock herders face are *dzuds* – climatic phenomena in which a very dry summer is followed by a harsh winter, when animals can easily starve and freeze to death. A series of *dzuds* between 1999 and 2002 killed 30% of the country's entire livestock population, prompting the government to solicit risk-management solutions from multilateral partners. The current Livestock Risk Insurance Program was developed to address this risk. From a pilot in 3 *aimags* (provinces) in 2006–2009, the programme scaled up to cover every *aimag* by 2012. Take-up rates are remarkably high for a voluntary product, reaching between 10–13% of total herder households in recent years.


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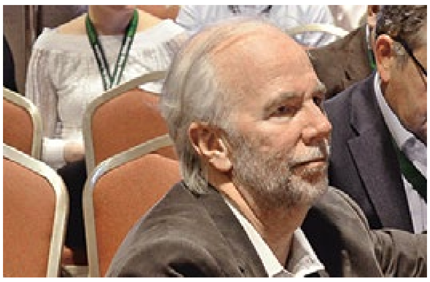

75

74 — Ulziibold Yadamsuren, Project Director, Index-based livestock Insurance Project, Mongolia.

75 — Gary Reusche, Senior Operations Officer, IFC, Ukraine.

Parallel session 15
Agro 2

Insurance payouts are triggered on a per-species basis when the country's livestock census (collected for more than four decades) finds greater than 5–6 % mortality of a species in a given county. Premiums are partially subsidised by the government, but private insurers now underwrite the commercial layer of the risk and administer payouts.

In 2009, the worst *dzud* disaster since 1944 killed 9.7 million animals. Of the roughly 5,500 herder households covered by the pilot, more than 70 % received insurance payouts averaging US$ 325 per household. All insurers continued writing the coverage the following year, and the cumulative loss ratio now stands around 50 %. Insurers' growing underwriting reserves have not had only positive outcomes, however, as the scheme lost clients in the most recent season after four years with few payouts (see Figure 25).

Livestock Risk Insurance (Mongolia)

Number of people insured
15,000 households

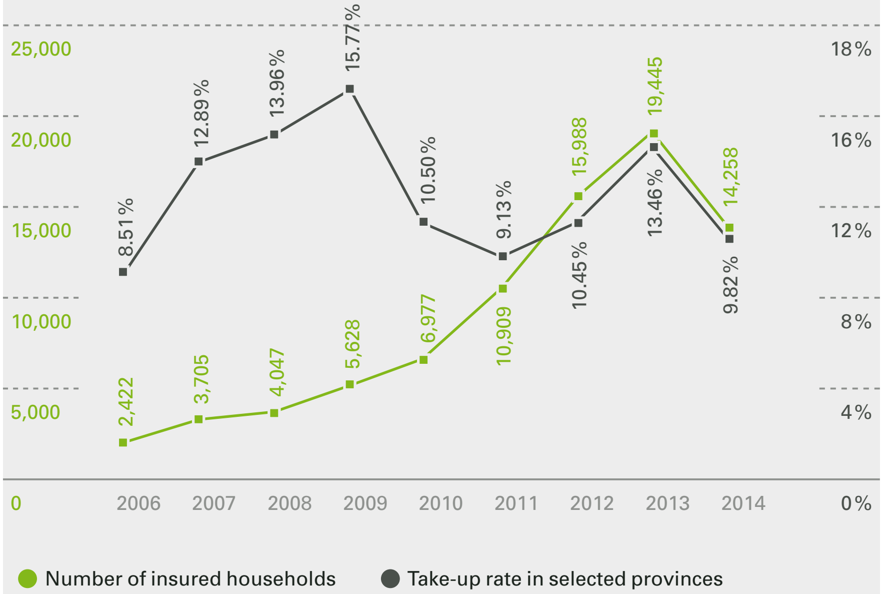
Insured risks
Livestock mortality

Premium range
US$ 40 to 60 per household per annum

Lessons learnt

- Before developing individual products, governments and donors should focus on developing a coherent risk-transfer system, and ensure that government authorities have the capacities to manage such a system.
- PPPs may hold significant political and institutional risks, such as changing priorities after each election cycle.
- Uniform insurance conditions and standardised products across private-sector providers are necessary for consumer protection and operational continuity.
- Innovation in programme design can introduce private insurers into previously public markets.
- 10 to 15 % penetration is possible even in voluntary agricultural insurance schemes, though this may require significant government investment in data collection.

Figure 25
Product take up
Index-based livestock insurance programme (IBLI), Mongolia



Source: Yadamsuren, Ulziibold. Presentation: "Mongolian case: index-based livestock insurance programme". 10th International Microinsurance Conference 2014.

More information

www.agroyriesgo.pe

www.worldbank.org/en/news/feature/2009/09/23/index-based-livestock-insurance-project

www.hdfcergo.com/rural-insurance/crop-insurance.html

Parallel session 16

Academic research 2 – Determinants of demand

This session focussed on the uptake decision for life microinsurance in Indonesia, and on the mechanisms making people buy insurance after a major flood in Pakistan. It then analysed the effectiveness of finance education sessions aired on the radio in Colombia.

Who is graduating from informal to formal risk-sharing arrangements?

Many demand studies examine the uptake of index-based or agricultural microinsurance. In contrast, life microinsurance is rarely addressed, although it is in many cases the first point of contact low-income households have with insurance. Fewer than a handful of studies exist, with mixed results.

The presented study tried to answer two questions. First, what are the socio-economic determinants of household decisions to participate in a voluntary life microinsurance scheme? And second, what is the effect of informal risk management strategies, such as Rotating Savings and Credit Associations (ROSCAs), on the decision to purchase life microinsurance?

In a household survey, a random sample of around 200 people was drawn, half of which are life microinsurance policyholders, and 70 % of which are members of a ROSCA. The collected data encompasses questions about product understanding and financial literacy, risk experiences and trust, the household's economic situation and demographic information.

Life microinsurance policy Indonesia

Coverage
Microendowment insurance plan integrating life and basic health insurance

Insured risks
5 specified and common critical illnesses and death

Premium range
US$ 1.10 per week for 5 years

Payout
US$ 272.50 as a one-time payout in case of death or critical illness; in case of survival, the insurance plan returns the savings amount net of interest at maturity.

A reduced-form binary probit model was used to simultaneously estimate demand drivers for participation in ROSCA and life microinsurance. The results showed a significant negative relationship between life microinsurance uptake and ROSCA participation.

ROSCA participation is driven by trust, family status and income, and may be limited by religious reasons or by previous experiences of other shocks. Life microinsurance, on the other hand, is preferred by people who:

— are driven by the motive to bequeath;
— are wealthier;
— feel exposed to risks and
— are familiar with the provider and financial services.

Age and financial literacy proved to have a positive effect on both the insurance uptake and ROSCA participation.

76 — Left to right:
Glenn Harrison, C.V. Starr Chair of Risk Management & Insurance, Robinson College of Business, Georgia State University, United States; Ginger Turner, Senior Economist & VP, Swiss Re, United States; Catherine Rodriguez, Associate Professor, Universidad de los Andes, Colombia; Anja Erlbeck Ph.D. Candidate, University of Cologne, Germany.

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Parallel session 16
Academic research 2 –
Determinants of demand

Microinsurance demand after a rare flood

The second paper presented was the result of a three-year study aimed at gauging the impact of a rare flood on behaviour, and its persistence.

The study stems from a detailed household survey in Pakistan, where a major flood occurred in 2010. The sample gathered was from two kinds of villages: some which experienced a flood, and others that were not flooded but had the same probability of being flooded.

Three facts are to be pointed out:

— Flood-affected people were systematically more likely to insure themselves.
— People who received assistance after a major event proved to be less interested in insurance than others.
— Within Islamic communities, it is often thought that religious motives are the main reason for not holding insurance. It is not the case here.

On top of the survey, people were invited to play a game designed to reveal the mechanisms underlying post-disaster behaviour towards insurance. For this game, the research team distributed a bag full of blue balls and red balls, blue standing for floods. Before the game and at each step (before drawing a ball), participants were asked if they would like to get a "flood protection payment" for the next round. This way, researchers could determine whether attitudes towards flood insurance changed with observation of losses. During the first rounds, a high percentage of people switched from insurance to no insurance and vice-versa (see Figure 26). This rate decreased with time but was still present, indicating that people were responding to the game and its specific incentives.

Nevertheless, results showed that both groups (with or without flood experience) were interested in insurance.

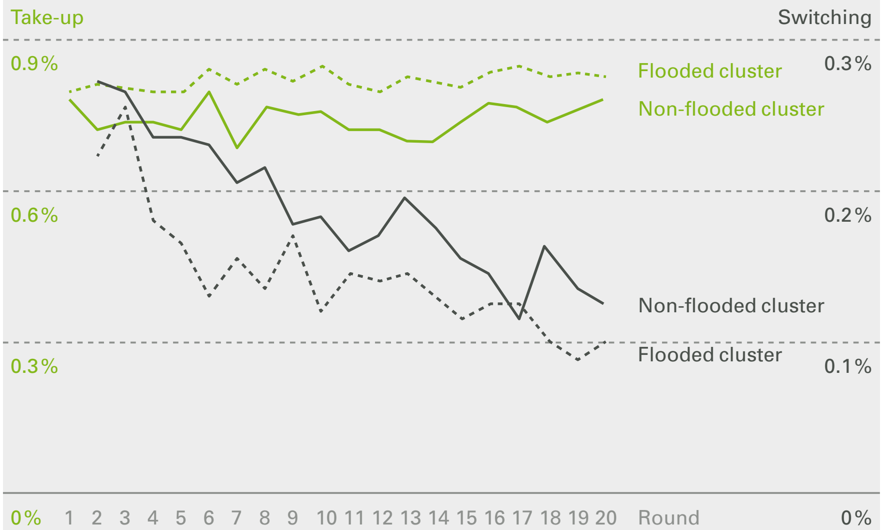
On the radio: effectiveness of Viva Seguro financial education

Financial literacy among the poor is low worldwide. Many financial education programmes exist, but their efficiency is unknown. In Colombia, a new programme, Viva Seguro, was launched and its participants were followed to gauge its effect. Did Vivo Seguro change people's knowledge of and behaviour towards insurance?

Most studies in such areas suffer from endogeneity[9] and do not measure changes in behaviour. This study pushes down those limits, which constitutes its main contribution.

The Viva Seguro programme consisted of 36 sessions of 41 minutes broadcast on the radio during seven weeks. These sessions aimed at raising risk-consciousness and at giving clues about risk management and insurance.

Figure 26
Results of the game
Post-disaster behaviour towards insurance



Source: Turner, Ginger. Presentation "Microinsurance demand after a rare flood event". 10th International Microinsurance Conference 2014.

9
A change or variable that arises from within a model or system.

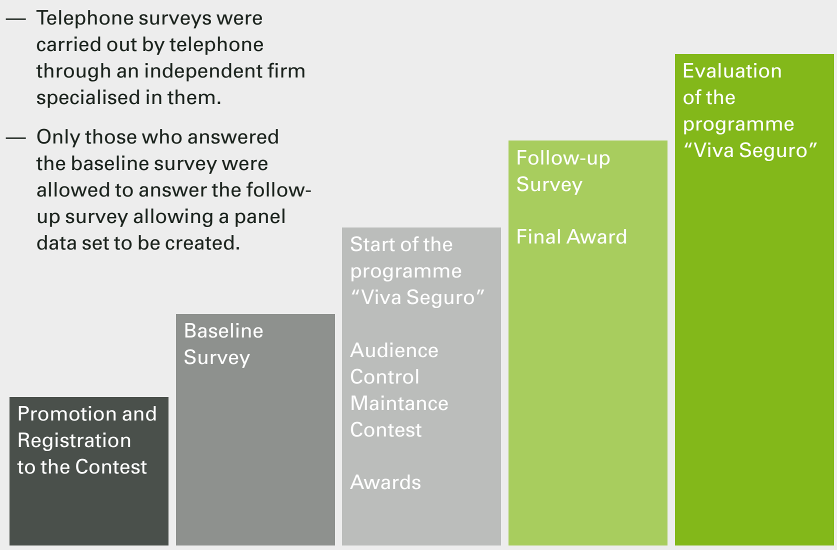
A promotional contest came along with the sessions, with prizes of US$ 16 each day and one prize of US$ 1,621 six months after the programme ended. Surveys were carried out by telephone before and after the experiment (see Figure 27). Only people who responded to both surveys were taken into account in the analysis. Six participating radio stations and six non-participating radio stations located in three different cities took part in this randomised controlled trial (RCT).

Viva Seguro proved to have a huge effect on listeners' knowledge about risk and insurance. The results also showed that less educated people benefitted more than others. However, no behavioural impact stood out.

Lessons learnt

- Life microinsurance supplements informal risk-sharing arrangements.
- Financial means, a motive to bequeath, risk exposure, familiarity with the provider and with financial services have a positive effect on life microinsurance uptake.
- People who experience a flood are more inclined to get insured than those spared by the event.
- Financial education through radio is a cost-effective means of increasing people's knowledge about insurance; it has no proven effect on their behaviour, though.

Figure 27
Steps of the "Viva Seguro" programme



Source: Rodriguez, Catherine. Presentation "On the radio: effectiveness of the "Viva Seguro" Financial Education Programme".10th International Microinsurance Conference 2014.

"Microfinance institutions have had a strong presence in Mexico, and the main financial cushion for low-income people has been savings. This is now changing and microinsurance products are beginning to reach more and more families to protect their savings and limit their exposure to risk."

Recaredo Arias, CEO, AMIS, Mexico

77

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77 — Recaredo Arias, CEO, AMIS, Mexico, answering questions after the press conference.

78 — Representatives of Axa, Bradesco, Mapfre and Zurich discussing strategies for entering the low-income sector together with experts from Leapfrog, Stonestep and the UNDP.

Agenda

Day 3 afternoon sessions 13 November 2014

Plenary 4

The potential of mobile technology

Thomas Daniel Meyer
Insurance Industry Lead, Accenture, Switzerland

Lucas Flores Soares
Regional Manager – Latin America, BIMA, United Kingdom

Peter Gross
Regional Director, Africa, MicroEnsure, United Kingdom

Facilitator
Jeremy Leach
Director, BFA, South Africa

Closing

Closing of the conference and welcome 2015

Dirk Reinhard
Vice-Chairman, Munich Re Foundation, Germany

Véronique Faber
Executive Director, Microinsurance Network, Luxembourg

Recaredo Arias
CEO, AMIS, Mexico

Craig Churchill
Chairman – Microinsurance Network, the ILO's Impact Insurance Facility, Switzerland

Welcome 2015
Abdelkarim Sahbeddine
Directeur, FMSAR, Morocco

Plenary 4

The potential of mobile technology

Mobile technology possesses the potential to disrupt microinsurance as we know it. This plenary began with a clarion call for big insurers to learn from new innovators or risk losing the market altogether. This was followed by competing perspectives on business models from the two biggest competitors in the mobile microinsurance space, BIMA and MicroEnsure.

Traditional models under pressure

The mobile microinsurance (MMI) market is the fastest growing segment of the microinsurance business. Africa is currently the site of the most rapid growth, at upwards of 100 % annually. Insurance products driven by mobile phone network operators, or MNOs, have covered several million clients on the continent in one year. Africa has the greatest confluence of factors driving MMI innovation, including established mobile money systems and MNO brand recognition (see Figure 28).

MMI growth is likely to continue as smart phone unit costs decline, enabling a greater and more complex number of mobile money services. This will transform the way insurers interact with their customers, from collecting premiums to handling claims and making payouts.

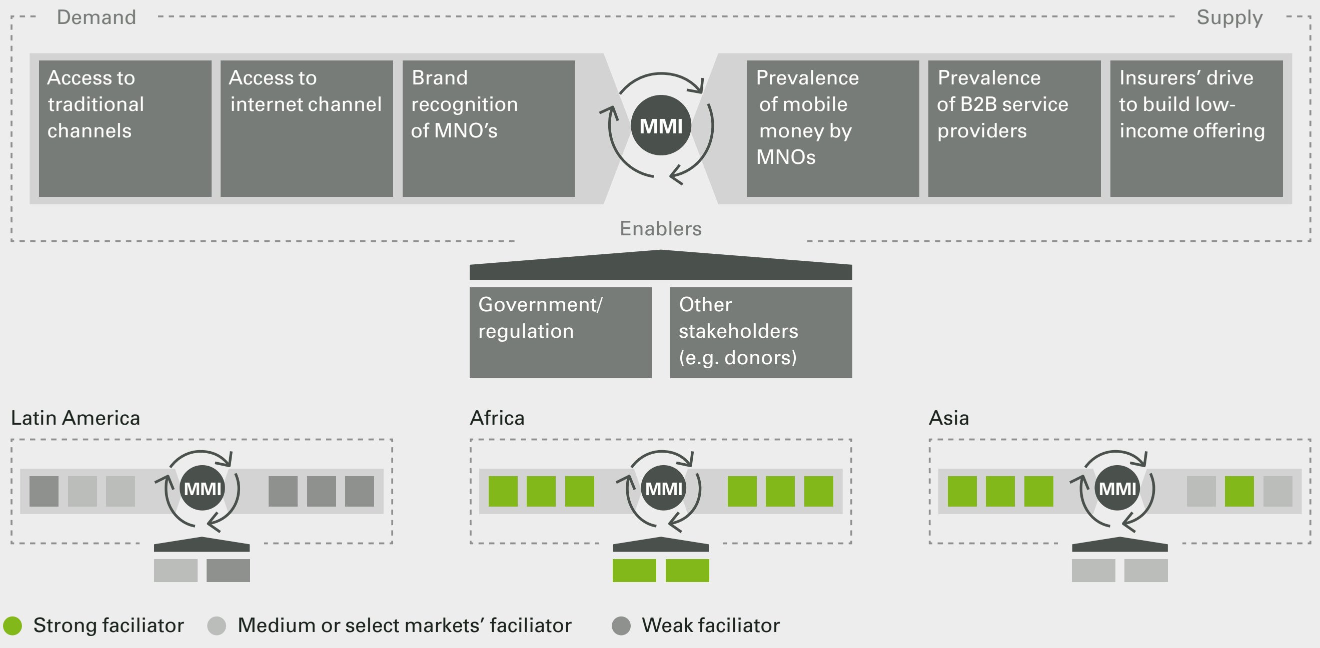
Perhaps the most revolutionary aspect is the dramatic rise in insurance penetration by MNOs introducing life or accident insurance as a value-added loyalty benefit to reduce customer churn. In the most popular so-called "freemium" models, customers receive insurance if they top up their mobile phone with a minimum value per month (usually less than US$ 2). The greater the top-up, the larger the benefit the client can claim.

In all MMI cases discussed here, the individual client is not subject to any health checks, nor are premiums differentiated by age or sex. Massive contract volumes, rather than differentiated risk-based pricing, are the anticipated source of underwriting profitability.

The growing brand recognition of MNOs may make them more attractive providers than often-mistrusted insurance companies. The personal data and customer connections controlled by MNOs and social media companies will push traditional insurers out of the market if they cannot innovate to keep pace.

Technical service providers (TSPs) such as MicroEnsure and BIMA have taken a leading role in this transformation. The two companies together count 25 million insured clients, many through partnerships with MNOs, primary insurers, or both.

Figure 28
Drivers enabling mobile microinsurance (MMI) in Africa in comparison with Latin America and Asia



Source: Meyer, Thomas. Presentation "Mobile microinsurance goes from experiential to exponential". 10th International Microinsurance Conference 2014.

Box 7

Recommendations for mobile insurance

Move from partial to fully mobile value chains, including policy information, reminders, claims and payment.

Reduce the number of parties in mobile transactions, otherwise too many players take a share of the small premium collected.

Develop industrialised multi-country operating models to integrate MMI with mainstream insurance, allowing expansion beyond the low-income client segment.

Source: Meyer, Thomas. Presentation: "Mobile microinsurance goes from experiential to exponential". 10th International Microinsurance Conference 2014.

BIMA: Mobile and face-to-face

Through partnerships with mobile operators, BIMA develops simple products to reach low-income customers, approximately 77 % of whom have never been insured before. The core product lines are life, personal accident and hospitalisation insurance. Customers pay premiums via monthly or daily deductions from their airtime credit, or they can buy cover through their mobile money accounts. Although its core operations are in Asia and Africa, BIMA launched products in three Latin American countries in 2014. In Honduras, its life insurance programme scaled to 140,000 policies in nine months.

BIMA's distribution model depends on a sales force of 2,000 field and call centre agents who work in teams to educate customers about insurance. This so-called "high touch" model prioritises face-to-face or telephone interaction to ensure clients understand the value of insurance and build a long-term customer base.

Example of a BIMA product

Seguro de Vida Tigo/BIMA/ Ficohsa (Honduras)

Number of people insured
140,000

Insured risks
Life

Premium range
US$ 1.60 to 2.40 per month

79

80

81

79 — Jeremy Leach, Director, BFA, South Africa.

80 — Thomas Daniel Meyer, Insurance Industry Lead, Accenture, Switzerland.

81 — Lucas Flores Soares, Regional Manager – Latin America, Bima, United Kingdom.

Plenary 4
The potential of
mobile technology

MicroEnsure "Lowish"-touch

MicroEnsure's business model follows a "low-touch" approach in which clients are educated about the product via the claims process and word of mouth. Because the product is marketed via mobile apps and the MNO's agents, the firm reduces dependence on costly agent-based distribution channels. Its new partnership with mobile provider Airtel in nine African countries allows the MNO's agents to promote the product without requiring a separate insurance sales team.

Instead, MicroEnsure focuses personnel efforts on helping customers navigate the claims process quickly, and then leveraging claims data to underwrite new products. The company believes sustainable MMI products must have many thousands of claims per year in order to demonstrate client value and build trust. In this model, **freemium insurance is not the goal, but rather the spearhead of market penetration,** enticing customers to buy more incremental coverage or add family members to their policy.

82 — Peter Gross,
Regional Director, Africa,
MicroEnsure, United Kingdom.

82

Example of a MicroEnsure product

"3 for Free" Airtel/MicroEnsure/ Enterprise Life (Ghana)

Number of people insured
1 million

Insured risks
Life, accident, hospital cash

Premium range
Free with airtime top-up from US$ 1.70 to 17 per month

Smooth sailing or treacherous waters?

Speakers and audience participated in a spirited debate on the sustainability and profitability of both high-touch and low-touch models. Some argued that high-touch (agent-based) models are so costly that profitability can only be achieved by quite low claims ratios, resulting in minimal product value for clients. Proponents of the high-touch model argued that customer understanding and renewals can only be generated via face-to-face interaction. Others doubted that MMI can achieve the scale required via high-touch distribution methods.

In any case, the speed and scale at which MMI has grown over the last four years has raised concerns about systemic risks. These include the risk that dissolution of a partnership could suddenly leave customers without coverage (as occurred in Zimbabwe in 2013), and the risk that products are scaling faster than consumer protection and solvency regulations can keep up with. This requires all players to work with regulators to evaluate and mitigate systemic risks and ensure products create value for clients.

Lessons learnt

- Mobile microinsurance must work like any other mobile offering: easily explained, exciting, with fast customer service and customisable for service providers.
- Mobile products must scale into the millions to be profitable.
- Scaling a bad product through an MNO can do much more harm than a bad product marketed through traditional channels.
- Adverse selection: some evidence indicates that paid products generate significantly higher claims ratios than free/freemium products.
- Telecoms can be challenging business partners because of the sector's volatility and short operational time frames. Successful partnerships require insurers and technical service providers to move more quickly than usual.

More information

www.microensure.com

www.bimamobile.com

www.insuranceblog.accenture.com/tag/microinsurance

Closing session

The session began with words of thanks from Dirk Reinhard, Vice-Chairman of Munich Re Foundation, to all who helped organise and hold the event: the conference steering committee, staff at Munich Re Foundation and AMIS, and interpreters. "The variety of presentations and topics was impressive, and the dinner hosted by AMIS memorable," he said. "Without AMIS as the local anchor, the conference would not have been possible; its assistance was invaluable not just in terms of resources and funds – but also of its all-important local knowledge."

One of the important ways in which Munich Re Foundation and Microinsurance Network have contributed to the microinsurance sector is by jointly publishing two volumes of the Compendium. The Spanish edition of Volume 2 has just come out, Mr Reinhard continued, saying "and it's a pleasure to now present it to Recaredo Arias, CEO of AMIS."

As he accepted the gift, Mr Arias noted that the conference was a unique opportunity for the insurance sector in Mexico to get updated on microinsurance developments in the world and AMIS was privileged to have a central role in organising this one-of-a-kind learning exercise.

A retrospective at 10

On behalf of MiN, Executive Director Véronique Faber then expressed her appreciation for the conference. "It has evolved immensely since 2005 in scope and quality – together with the sector itself," she observed. "But in essence, the objective has remained the same one that drove the CGAP Working Group, as the Network was known at the time – the microinsurance offshoot of the Consultative Group to Assist the Poor."

That's why, she added, the booklet "Making a difference: A retrospective at 10", published by MiN to mark the 10th anniversary of the conference, begins with stories of claims from the poor helped by microinsurance across the globe. "Why have we now spent three days here?" she asked. "Because we do make a difference."

"In the conferences, thousands of participants have been treated to a smorgasbord of ideas and experiences, generating synergies and linkages."

Craig Churchill, Chairman of the Microinsurance Network and Head of ILO's Impact Insurance Facility, Switzerland

83 — Dirk Reinhard, Vice-Chairman of the Munich Re Foundation, handing over the first copy of the Spanish translation of the Microinsurance Compendium Vol. II to Recaredo Arias, CEO of AMIS, Mexico.

84 — Véronique Faber, Executive Director, Microinsurance Network, Luxembourg.

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A look into the near future

Craig Churchill, Chairman of MiN, focused his comments on a look into the future – "What will the microinsurance sector be like – not in another 10 years, which may be hard to imagine, but, say, in the coming five years or so: in the year 2020?"

He invited the audience to contribute their thoughts to five topics likely to capture the attention of microinsurance stakeholders in the near future: mobile distribution, health microinsurance, index-based agricultural insurance, crisis in the external environment, and other dramatic changes. See Box 8 for points that emerged during the discussion.

Box 8

What will microinsurance be like in 2020?

Developments to expect

Mobile distribution

This will be the dominant channel, but the sector cannot just be a one-trick pony – even though mobile devices will advance and have unanticipated features to contend with.

Biometrics will play an increasing role in marketing: physical and behavioural characteristics of consumers sensed and interpreted by the computer.

Social media will dictate consumer choices; the internet will allow people to buy insurance themselves.

Supply value chains will have new stakeholders such as agent network managers, and the customer interface will be in vernaculars.

Health microinsurance

Telemedicine (via audio, video, smart phones) will play a central role in containing costs.

Diagnostics using digital devices will help deliver mobile, accessible care in remote rural areas.

Better preventative care, rather than cure itself, will be the healthcare norm.

Index-based agricultural insurance

Farmers will have a better understanding of basis risk, and will address it through other risk-management tools.

Index insurance will be integrated with other tools for financial protection.

There will be more conducive regulations, and more education for financial literacy.

Crisis

A 20 % claims ratio enjoyed by microinsurers will be noticed as not making good consumer value, and will be acted upon by regulators. Microinsurers' ethics and social character will be questioned.

To contain welfare costs, governments will lean on the private sector and integrate social protection with microinsurance, regulating distribution costs.

Major insurers will leave the low-income sector.

Other dramatic changes

We might not be talking about microinsurance any more. Lines between micro and mass have already started to blur.

The purely commercial side of microinsurance will be the main focus.

Secure and satiated in scale through m-insurance, providers will truthfully share information hitherto kept under wraps for competition.

Welcome to Morocco 2015

Abdelkarim Sahbeddine, Directeur, Fédération marocaine des Sociétés d'Assurances et de Réassurance (FMSAR), then invited participants to the 11th International Microinsurance Conference set to be held in Casablanca, Morocco, 3–5 November 2015.

"We appreciate Munich Re Foundation's trust in us," Mr Sahbeddine said. "Morocco has economic and political stability, and we are a friendly and hospitable people. In fact, Morocco is in the top 3 of the most hospitable countries – behind New Zealand and Iceland." FMSAR will make sure the next conference is held in the best conditions, he added.

Founded in 1959, the Moroccan Federation of Insurance and Reinsurance Companies (FMSAR) represents all insurers and reinsurers operating in Morocco (18 in all). It has signed a contract with the government for the period 2011–2015. The five main undertakings in the contract include two of particular interest: coverage extension for the less-insured sections of the population, and improvement of service quality provided for the insured and beneficiaries of insurance contracts.

Mr Sahbeddine said the insurance market in Morocco has been growing at an annual rate of 8 to 9 %, and cited some industry highlights (see Box 9).

Box 9

Insurance highlights Morocco

— Insurance premiums 2012: MAD (Moroccan dirham) 26.02 billion (US$ 2.84 billion).

— Leading life insurer in the Arab world and its third largest insurance market (after Saudi Arabia and the United Arab Emirates).

— Insurance penetration rate 3.1 % of the GDP – highest in the Arab region.

— Emergence and rapid growth of life bancassurance with a savings component.

— In 2013, AlAmana Microfinance, a Women's World Banking network member in Morocco with about 300,000 clients, introduced a microinsurance scheme called *L'Assistance,* which automatically comes with each client's loan. It provides cash payouts for events that could cause clients financial stress: childbirth, hospitalisation, diagnosis of a critical illness, road accidents and death.

More information

www.microinsuranceconference.org/2015

www.fmsar.org.ma

85

86

85 — Craig Churchill, Chairman – Microinsurance Network, ILO's Impact Insurance Facility, Switzerland discussing the future of microinsurance with the audience.

86 — Abdelkarim Sahbeddine, Director of the Moroccan insurance association FMSAR inviting the participants to the 11th International Microinsurance Conference taking place in Morocco.

Field trips

The week before the conference, 26 delegates from 15 countries took part in a 4-day field trip organised by the Asociación Mexicana de Uniones de Crédito del Sector Social (AMUCSS) and the Grameen Crédit Agricole Microfinance Foundation (GCAMF).

Its goal was to discover Mexico's agricultural insurance tools targeted at smallholders. As such, it focussed both on insurance funds and on CADENA (Comité de Ayuda a Desastres y Emergencias Nacionales), a public scheme for calamity relief.

For two days, insights were provided by Mexican practitioners and scholars, and two other days were spent in the countryside meeting farmers and cooperative members.

Risks and agriculture in Mexico

Mexico's agricultural landscape is split into two main parts: the north, where famers on average own more than 20 hectares, and the central and southern parts of the country, where 2.7 million farmers own less than 5 hectares on average.

Southern Mexico is prone to hurricanes and floods, whereas northern Mexico suffers from droughts. To manage those risks, two ways lead to agricultural insurance:

— private insurance or insurance funds, with a premium subsidy varying according to the crop insured; and
— catastrophe insurance through the CADENA scheme.

Numerous subsidised and highly focused programmes are also in place to help farmers, but the lack of coordination impairs their effectiveness.

CADENA

Since 2003, the federal state has helped local states through the CADENA programme, either by providing premium subsidies for catastrophe insurance or through direct assistance.

The catastrophe insurance model only targets smallholders in a particular process. A willing local state purchases insurance cover and pays 10 to 20% of the premium. The remaining 80 to 90% is paid by the federal state. Indemnities go directly to the local state, which is in charge of sharing it among farmers.

If a local state did not take insurance or if the received indemnity is too low to pay for the estimated loss, direct help from the federal state may be requested. In this case, the federal state provides 60% of the required amount, and the local state has to pay the remaining part (40%), which is a strong incentive for the local state to take insurance in the first place.

Example from the field

The trip participants went to Tlaxcala and saw farmers receive the CADENA compensation for 2014. This was the end of a one to three-month process during which farmers provided the state with documents to justify their eligibility for compensation.

In this local state, the thinking is that it is far better to have insurance and experience no loss than to experience a loss without being insured. Currently, part of the state is covered by weather index insurance and the other part is covered by yield insurance. The choice is made by the local state, depending on parameters such as the crop stage to be protected (growth/flowering/fruiting) or the historical precipitation levels. The catastrophe cover is not detailed to farmers.

RedSol, an insurance fund for smallholders

RedSol was created in 2011 and focuses on central and southern Mexico, where most smallholders are to be found. Because of the small size of its target market, it would not be possible to reach scale (and thus sustainability). For this reason, it is the only insurance fund allowed to include producers from different states.

RedSol only insures farmers who are part of a cooperative. Some 6,800 producers from 14 cooperatives are currently insured, representing 22,700 hectares. The main crop is coffee. Groundnut, corn and bananas represent a smaller area.

87

88

87 — A farmer shows his ID card to receive his CADENA compensation, while a participant checks that he is on the list of beneficiaries.

88 — Participants met with insured farmers and visited land plots where good practices from the cooperative are applied.

Example of a developed cooperative

Tosepan is one of the most mature cooperatives, with activities ranging from health to credit, tourism, education and agriculture, among others. Its clientele includes 28,000 families across two states. Its agricultural branch spreads good practices such as crop diversification.

When asked for credit, the cooperative goes to RedSol, which provides it with bundled crop insurance – while parametric income insurance is under review. The crop insurance is subsidised at 30 % for coffee (and 60 % for corn) and the reinsurance, provided by Agroasemex, represents 30 % of the insurance premium.

As for Tosepan's other activities, the health branch shows its outreach and the possible linkages among all branches. Healthcare is a recent activity launched with the credit branch cash surplus. It provides insurance and preventive advice for 50 pesos per year (~US$ 3.6), with decreasing cost for families. To date, 5,000 members have subscribed on a voluntary basis.

Experience sharing

At the end of the field trip, all participants were asked for their thoughts about the Mexican system. Generally, they considered the system's strengths to be the in-depth involvement of the government, the bundling of credit with insurance and the presence of cooperatives and insurance funds. They believed more transparency could be created about insurance policies and the CADENA scheme, to create and foster a real insurance approach by farmers. In Senegal, for example, policies are translated into local languages to ensure they are clearly understood by the farmers.

On another subject, in India, financial service providers (banking, insurance) are obliged by law to conduct a certain percentage of their business in rural areas. This may help to reach more smallholders.

Box 10

Field trip ATERNA

The day before the 10th IMC started, ATERNA hosted a field trip that allowed the participants to get to know the characteristics of the low-income population in Mexico more closely. The participants had the opportunity to meet clients, both policyholders and beneficiaries, while also gaining an insight into the partners and distribution channels: Yastás and Compartamos Banco.

Yastás is a correspondent network providing mobile banking and payment services. The terminals are installed in small businesses that benefit through commissions on every transaction. Yastás protects its clients with our product Yastás Seguro, which includes life accident coverage, hospital cash for expenses caused by an accident and a tailored assistance programme.

Another product, Seguro Mujer, is a product with life coverage, it includes the benefit of an advanced payment of 60 % of the sum assured if the policyholder is diagnosed with cancer. The coverages can be extended to a family member.

The widely diverse group included insurers, academics, regulators and consultants, all very enthusiastic and curious during the activities. Besides the knowledge shared, we also made some good new friends and colleagues.

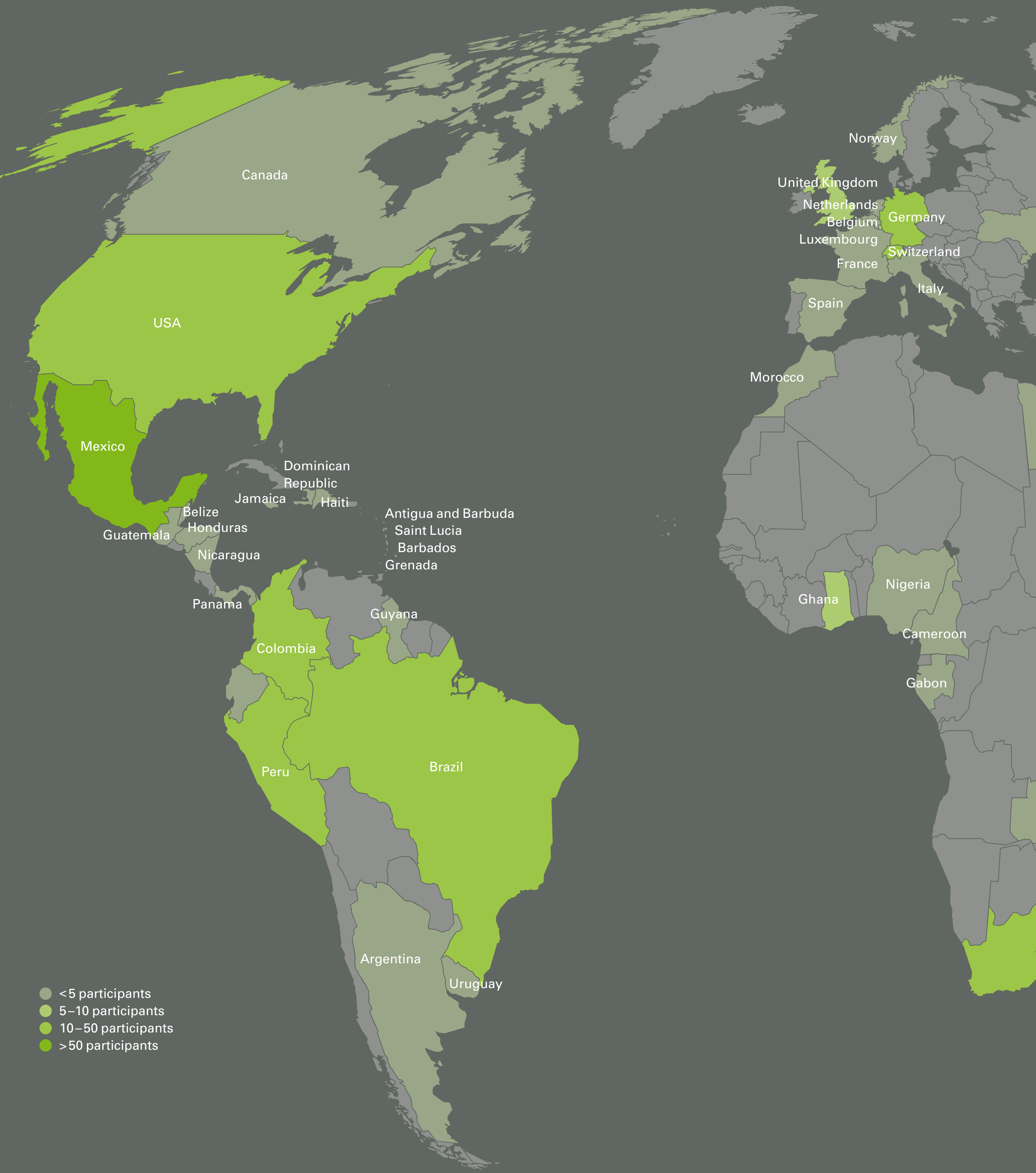
89

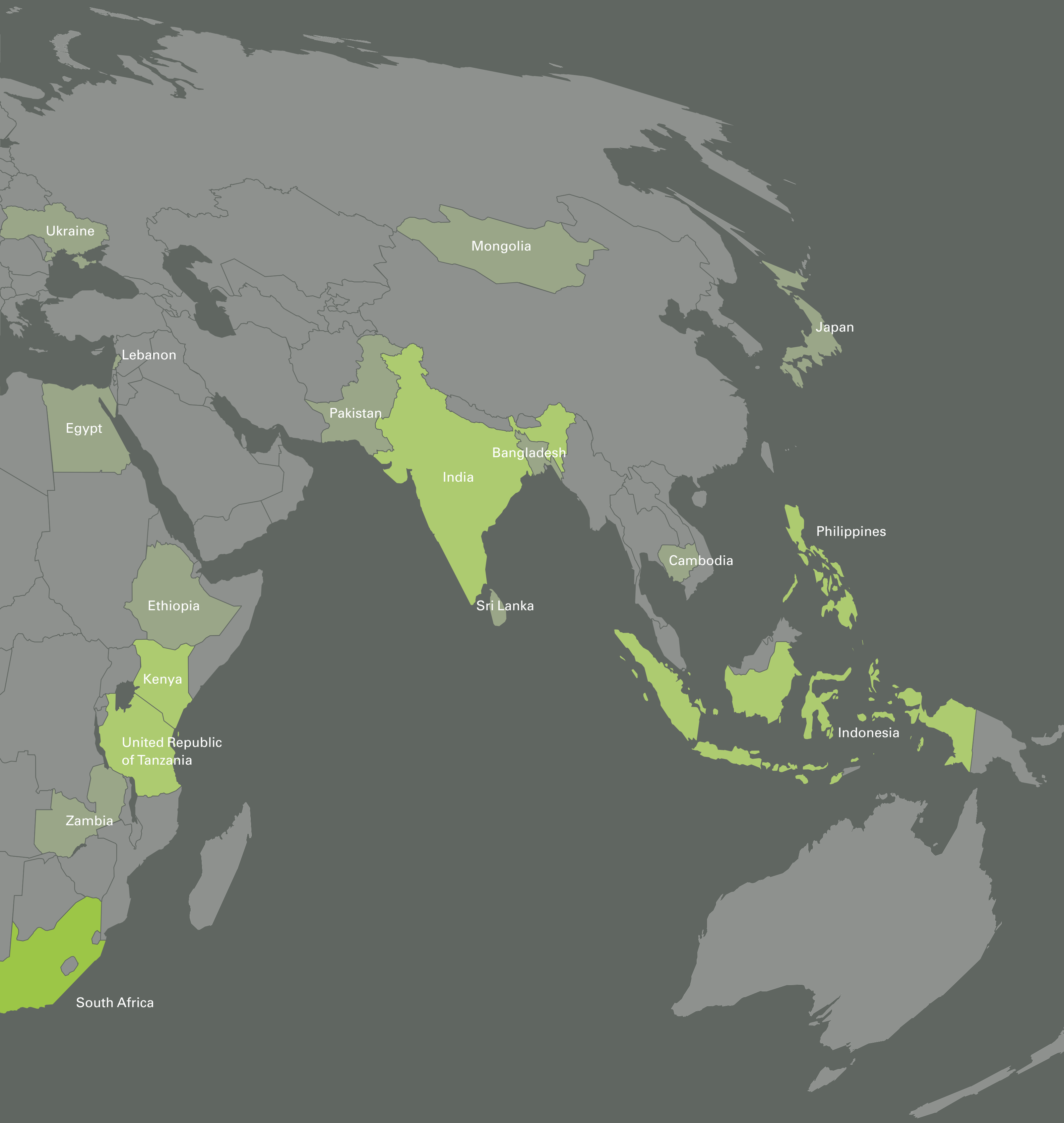
90

89 — Emmanuel Balseca, ATERNA's Innovation Manager, explains the operations of Yastás to the field trip participants.

90 — Policyholders of the Seguro Mujer product, which is distributed by Compartamos Banco.

Countries represented




Ukraine
Mongolia
Japan
Lebanon
Egypt
Pakistan
Bangladesh
India
Philippines
Cambodia
Ethiopia
Sri Lanka
Kenya
Indonesia
United Republic
of Tanzania
Zambia
South Africa

Participating organisations

Antigua and Barbuda
FSRC

Argentina
AMPF
Inworx

Bangladesh
Diamond Life
IDRA
Sajida Foundation

Barbados
Caribbean Development Bank
FSC

Belgium
Ghent University

Belize
Government of Belize

Brazil
Bradesco
CNseg
Equatorial Microsseguros SA
Grupo Segurador BB
Mapfre
Terra Brasis Resseguros
Tokio Marine Seguradora
Universidad Jaume I
Zurich Seguros

Cambodia
PKMI

Cameroon
Global Foundation for Epilepsy

Canada
Denis Garand and Associates
ID&CS
MiCRO
MicroInsurance Centre

Colombia
Altima
Aseguradora Solidaria
Bamboo Finance
Banco de la República
Colmena vida y riesgos
Crezcamos
Fasecolda
Mapfre
Mercy Corps
Seguros Generales Suramericana S.A.
Universidad de los Andes

Dominican Republic
Independent

Ecuador
Alamo – Asesores de Seguros
Inmedical

Egypt
MetLife Alico

Ethiopia
ILO

France
Acting For Life
Grameen Crédit Agricole Microfinance Foundation
PlaNet Guarantee

Gabon
CIMA

Germany
A2ii
MCII
GIZ
BMZ
Hannover Re
Munich Re
Munich Re Foundation
University of Cologne
University of Göttingen
UNU-EHS

Ghana
Ghana Insurance College
GIZ
NIC
Star Microinsurance

Grenada
GARFIN
Trans-Nemwil Insurance

Guatemala
Superintendencia de Bancos

Guyana
Bank of Guyana

Haiti
Alternative Insurance Company
Unité de Contrôle et de Supervision des Assurances

Honduras
PILARH OPDF

India
Amicus Advisory
CIRM
HDFC ERGO
MicroSave
SAS Poorna Arogya Healthcare
Weather Risk Mgmt Services

Indonesia
Bumiputera Insurance
PT Asuransi Central Asia
World Bank

Italy
IFAD

Jamaica
FSC

Japan
INSEAD

Kenya
AB Consultants
International Livestock Research Institute
IRA
MicroEnsure
National Hospital Insurance Fund

Lebanon
Commercial Insurance

Luxembourg
Grameen Crédit Agricole Microfinance Foundation
Microinsurance Network

Mexico
A.M. Best
AGROASEMEX
AMIS
AMUCSS
Aserta
ATERNA
Autotransporte 2000
AXA
BNP Paribas Cardif
CAME
CIMMYT
CNSF
Compartamos Banco
Connovo – Nueva Vida
Crediavance
Dajoya Hogar
El Economista
FIDES
FINCA
Fondo de Aseguramiento CNOG
Fortuna y Poder
Fundación Juan Diege A.C.
Gen Re
Macroeconomia Revista
Mapfre
Ministry of Finance
Munich Re
Old Mutual
Patronato Pro Educación Mexicano
Prensa en Seguros
Raúl Coka Barriga
REDSOL
Seguros AFIRME
Seguros Atlas
Servicios Banorte
Swiss Re
Thona Seguros
UAEH

Mongolia
FRC
Index based Livestock Insurance Project

Morocco
FMSAR

Netherlands
Berende Consulting
Maastricht University / UNU-MERIT
Microinsurance Association
PharmAccess

Nicaragua
SIBOIF

Nigeria
Central Bank of Nigeria
NAICOM

Norway
Finansforbundet

Pakistan
Benazir Income Support Programme
GIZ
Naya Jeevan

Panama
Apadea

Peru
APESEG
CMAC Arequipa
CMAC Ica
CMAC Maynas
CMAC Tacna
Consejeros y Corredores de Seguros
EDPYME Raíz
El Pacífico Peruano Suiza Cía. de Seguros y Reaseguros
GIZ
La Positiva
La Protectora
Mapfre
SBS

Philippines
AIRDC
Cebuana Lhuillier
GIZ
Insurance Commission
Mapfre Insular
Pioneer Life
University of the Philippines

Saint Lucia
Bank of Saint Lucia
EC Global Insurance
Financial Services Regulatory Authority

South Africa
Ackermans
Bayport Financial Services
BFA
Cenfri
DotXML Technologies
FSB
Gen Re
Hollard
SAIA
Traficc

Spain
AXA

Sri Lanka
Berendina

Switzerland
Accenture
IAIS
The ILO's Impact Insurance Facility
MicroInsurance Centre
Stonestep
University of Zurich

Tanzania, United Republic of
FSDT
Intertrade Express
TIRA

Ukraine
IFC

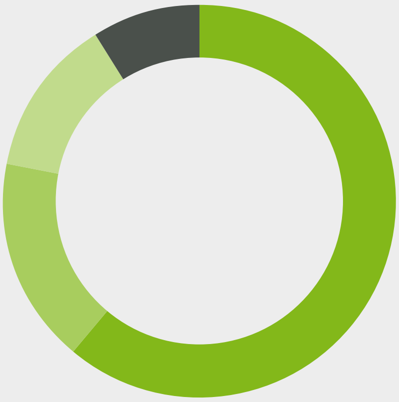
United Kingdom
Bima
Bupa
DLA Piper
Leapfrog Investments
MiCRO

United States
Abt Associates
ACE
AuclairRe Int.
Barnert Global
Columbia University
Connovo – Nueva Vida Consultant
EA Consultants
Emory University
FOMIN
Georgia State University / CEAR
Global Insurance Consulting
Guy Carpenter
HBS, Salud Cercana
IADB
The ILO's Impact Insurance Facility
International Research Institute for Climate and Society, Columbia University
MasterCard
Mercy Corps
MetLife
MiCRO
MicroInsurance Centre
Milliman
Parene Healthcare
Swiss Re
UNDP
USAID
USLI
World Bank

Uruguay
MGAP

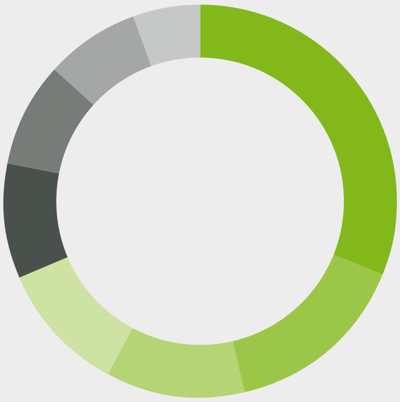
Zambia
FSDT / ILO

Figure 29
Number of participants per continent



America	61 %
Europe	17 %
Africa	13 %
Asia	9 %
Australia	0 %

Figure 30
Type of representatives



Insurance and finance industry	30.6 %
Donor agencies, development and international organisations	15.3 %
Microfinance and microinsurance providers	11.7 %
Government and regulatory bodies	10.7 %
Other	9.8 %
Media	8.7 %
Consultants	7.7 %
Academics	5.5 %

Acronyms

ACTA
Actuarial, client origination, transaction costs, and adjacencies

AMIS
Asociación Mexicana de Instituciones de Seguros

APESEG
Asociación Peruana de Empresas de Seguros

a2ii
Access to Insurance Initiative

BMZ
Bundesministerium für wirtschaftliche Zusammenarbeit

CADENA
Comité de Ayuda a Desastres y Emergencias Nacionales

CCE
Crop-cutting experiment

CEAR
Center for the Economic Analysis of Risk at Georgia State University, USA

CGAP
Consultative Group to Assist the Poor

CNseg
Confederação Nacional das Empresas de Seguros Gerais

CNSF
Comisión Nacional de Seguros y Fianzas

CONDUSEF
La Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros

DNA
Deoxyribonucleic acid

ERS
European Remote-sensing Satellite

ET
Evapotranspiration

FAO
Food and Agriculture Organisation (of the United Nations)

fAPAR
Fraction of Absorbed Photosynthetically Active Radiation

Fasecolda
Federación de Aseguradores Colombianos

FewsNet
Famine Early Warning Systems Network

FIDES
Federación Interamericana de Empresas de Seguros

FMCG
Fast-moving consumer goods

FMSAR
Fédération marocaine des Sociétés d'Assurances et de Réassurance

FOMIN
El Fondo Multilateral de Inversiones

FONDEN
El fondo de desastres naturales (de Mexico)

GDP
Gross domestic product

GIZ
Deutsche Gesellschaft für internationale Zusammenarbeit

GSU
Georgia State University

IAIS
International Association of Insurance Supervisors

IDB
Inter-American Development Bank

IFAD
International Fund for Agricultural Development

ILO
International Labour Organization

IRI
International Research Institute

ITC
Faculty of Geo-Information Science and Earth Observation, University of Twente

MAD
Moroccan dirham

MCII
Munich Climate Insurance Initiative

METOP ASCAT
(European) Polar Orbiting Meteorological Satellite Advanced Scatterometre

MFI
Microfinance institution

MIBL
Mahindra Insurance Brokers Limited

MILK
Microinsurance Learning and Knowledge

MMI
Mobile microinsurance

MNAIS
Modified National Agricultural Insurance Scheme

MNO
Mobile network operator

MODIS
Moderate Resolution Imaging Spectroradiometre [of NASA (U.S. National Aeronautics and Space Administration)]

MSG
European Space Agency Second Generation Meteorological Satellite

NAIS
National Agricultural Insurance Scheme (India)

NDVI
Normalised Difference Vegetation Index

PACE
Product, access, cost and experience

PIN
Personal identification number

POS
Point of sale

PPP
Public-private partnership

RCT
Randomised control trial

RFE2 ARC
Rainfall Estimation, Version 2, Africa Rainfall Climatology [NOAA (U.S. National Oceanic and Atmospheric Administration)-based second algorithm]

ROSCA
Rotating Savings and Credit Association

RSBY
Rashtriya Swasthya Bima Yojna/National Health Insurance Programme, India

SAGARPA
La Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación

SAIA
South African Insurance Association

SPOT-VGT
Satellite for Earth Observation – Vegetation Programme

TAMSAT
Tropical Applications of Meteorology Using Satellite Data

TSP
Technical service provider

UHC
Universal health coverage

VITO
Flemish Institute for Technological Research

WBCIS
Weather-Based Crop Insurance Scheme

WFP
World Food Programme

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Picture 89 and 90: ATERNA

The Munich Re Foundation is leading the world in microinsurance development. If it were not for the exchange of information and expertise at conferences organised by the MRF, the progress noted in the landscape studies would not have been possible.

Marco Antonio Rossi, CEO,
Bradesco, Brazil,
President of CNseg and FIDES

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