Report

11th International Microinsurance Conference 2015

Driving growth and sustainability — A business case for microinsurance

3—5 November 2015
Casablanca, Morocco

Edited by
Zahid Qureshi and Dirk Reinhard

Contents

Conference documents and presentations are available online at: www.microinsuranceconference.org/2015

Links:

Munich Re Foundation
www.munichre-foundation.org

Microinsurance Network
www.microinsurancenetwork.org

Acknowledgements

Microinsurance has finally made it into international politics. In 2015, the G7 initiative on climate risk insurance announced the target of covering 400 million more people with climate risk insurance in developing countries and emerging economies by 2020, including individual (micro)insurance. This is a new era for the development of risk management tools for the poor, and it will certainly accelerate the market. However, the development of products that provide value to the client requires insurance knowledge, market understanding and cooperation between all the stakeholders. The International Microinsurance Conference, which took place for the first time in an Arabic-speaking country in 2015, provides a platform for facilitating cooperation and sharing knowledge.

The Centre Mohammed VI de Soutien à la Microfinance Solidaire (CMS) and the Fédération Marocaine des Sociétés d'Assurances et de Réassurance (FMSAR) provided outstanding support to the 11th International Microinsurance Conference. I would especially like to thank Youssef Errami, Executive Director of the CMS, Mohamed Hassan Bensalah, President of FMSAR, Bachir Baddou, Directeur Général of FMSAR, and Abdelkerim Sahbeddine, Directeur of FMSAR, for their exceptional support and guidance. Without this local expertise and support, the conference would simply not have been possible.

On behalf of Munich Re Foundation, I would also like to thank the CIMA, in particular its former Secretary, General Jean Claude Ngbwa, and the ILO's Impact Insurance Facility, GIZ, Making Finance Work for Africa, Milliman and CEAR for their support in organising this year's event.

The 11th International Microinsurance Conference brought together over 350 participants from over 50 countries, including 80 speakers. My thanks go to them for sharing their knowledge and experience. On behalf of the organisers, I would also like to thank the members of the Conference Steering Committee. This event would not have been possible without its work in identifying suitable speakers and presentations from the over 100 applications submitted for the conference.

I would moreover like to make special mention of the team of rapporteurs – Miriam Benmoussa, Pierre Casal-Ribeiro, Julian Hochscherf, Christopher Knudson, Jia Min Ng, Jasmin Suministrado and Martina Wiedmaier-Pfister – led by Zahid Qureshi. Some of them even took vacation time to volunteer and summarise the key messages and lessons from the various sessions of the 2015 conference.

I would furthermore like to extend my thanks to the Munich Re Foundation conference team – Thomas Loster, Petra Hinteramskogler, Torsten Kraus, Julia Martinez, Laura Montenbruck and Natalie Schandri as well as the many members of local staff for making this conference a great success. A special "thank you" goes to Michael McCord, President of the Microinsurance Network, and the entire team of the Network's secretariat for its great support. Michael McCord has been on the Steering Committee of the conference since it first took place in 2005. We are greatly honoured to have been able to work with such an internationally renowned expert for so many years.

The 2016 International Microinsurance Conference will take place in Sri Lanka. The country is experiencing impressive economic growth and, with its proximity to India, offers a perfect location for the next world meeting of microinsurance experts. Together with the Insurance Association of Sri Lanka we are looking forward to the next event that will take place from 15–17 November in Colombo.

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

Munich, March 2016

This report is the summary of the 11h International Microinsurance Conference that took place in Casablanca, Morocco on 3–5 November 2015.

As the style of the sessions changes, so too 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, Chairman of the IMC Conference Steering Committee and Vice-Chairman of Munich Re Foundation, Germany.

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“And though many governments, NGOs and other actors have been contributing to an improvement of financial inclusion worldwide, the question is whether this is enough in view of the increasing risks that are arising.”

Othman El Alamy,
Directeur Adjoint, Ministère des finances – Direction des assurances, Morocco

2–5 — The conference brought together some 350 participants from 55 countries.

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Agenda

Day 1 morning sessions 2/3 November 2015

Pre-conference seminar 1

CEAR Academic Pre-Conference in Microinsurance 2015 (part 2)
started on November 2nd
Hosted by CEAR

Keynote speakers

Jerry Skees
H.B. Price Professor of Agricultural Policy and Risk at the University of Kentucky and President of GlobalAgRisk, Inc., USA

Jeremy Tobacman
Assistant Professor of Business Economics and Public Policy, The Wharton School of the University of Pennsylvania, USA

Elisabet Rutstrom
Professor, Director – Dean's Behavioral Economics Lab, Georgia State University, USA

Paper presenters

Jia Min Ng
CEAR, Georgia State University, USA

Kati Kraehnert
Department of Development and Security, German Institute for Economic Research (DIW), Germany

Karlijn Morsink
University of Oxford, United Kingdom

Facilitator
Glenn Harrison
C.V. Starr Chair, Robinson College of Business, CEAR/GSU, United States

Pre-conference seminar 2

5th Consultative Forum – Consumer education: old questions, new thinking
Hosted by the Access to Insurance Initiative, the International Association of Insurance Supervisors, and the Microinsurance Network

Welcome address

Othman El Alamy
Directeur Adjoint, Ministère des finances – Direction des assurances, Morocco

IAIS position towards consumer education in inclusive insurance

Peter Braumueller
Director of Insurance and Pension Company Supervision, IAIS, Switzerland

Panel 1
Industry approaches: current practices and opportunities

Jacky Huma
Head of Department, Microinsurance Supervision, FSB, South Africa

Richard Leftley
CEO, MicroEnsure, United Kingdom

Mehdi Tazi
CEO, Saham Assurance, Morocco

Facilitator
Brandon Matthews
Managing Director, Stonestep, Switzerland

Panel 2
Mulit-stakeholder approaches: National initiatives – trends and challenges

Namahadi Martin Kgoale
Head of Sales, Hollard Insurance, South Africa

Eduardo Morón
President, APESEG, Peru

Dorothy Calimag
Deputy Insurance Commissioner, Insurance Commission, Philippines

Facilitator
Brigitte Klein
Head of Sector Project Financial System

Closing

Hannah Grant
Access to Insurance Initiative (a2ii), Germany

Pre-conference seminar 3

The ILO's Impact Insurance Forum
Hosted by the ILO's Impact Insurance Facility

Panellists

Sobiah Becker
Project Manager, MCII, Germany

Mathieu Dubreuil
Microinsurance Specialist – R4 Rural Resilience Initiative, World Food Programme, Senegal

Gilles Galludec
Programme Manager, GIIF/World Bank Group, Thailand

Alexa Mayer-Bosse
Business Development Manager, Munich Re, Germany

Facilitators
Jasmin Suministrado
Senior Knowledge Officer, ILO's Impact Insurance Facility, Switzerland

Craig Churchill
Chief of ILO's Impact Insurance Facility, Switzerland

Pranav Prashad
Technical Officer, ILO's Impact Insurance Facility, Switzerland

Pre-conference seminar 1

Insurance solutions for the poor: disaster, health, agriculture and the latest research on risk management

CEAR Academic Pre-Conference in Microinsurance 2015

Jia Min Ng

Hosted by the Center for the Economic Analysis of Risk (CEAR) at Georgia State University, USA. This one-and-a-half-day academic pre-conference was organised to provide researchers with a platform to share major findings in micro-insurance and the most recent developments in research methods for examining the risk management choices of the poor.

Progress, setbacks, adjustments – Searching for disaster "insurance" solutions for the poor

Climate and seismic risks not only increase the costs of capital for companies but also the volatility of the costs. They therefore affect the investment and production decisions of small and medium-sized enterprises. Climate risk, for example, can impact interest rates and electricity prices.

The impacts of climate risk can also have a ripple effect, and the techniques implemented to manage climate risk, whether at household or higher levels, will affect the poor. Innovative projects such as the Mexican FONDEN, Caribbean CCRIF and African ARC initiatives were designed to finance extreme climate risk for governments, but traditional insurance and index insurance schemes can also be designed to finance extreme climate risks for households, private companies and financial institutions. Innovations in climate risk management include: cooperation with climate risk researchers to develop methods for measuring events that create catastrophic losses; new ways of enabling capital markets to transfer disaster risk; exploration of legal and regulatory issues to allow index insurance to be applied in developing countries. Climate risk lessons learnt from micro, meso and macro-insurance programmes are described in the following three case studies respectively.

IBLI (Mongolia)

Number of people insured
19,000 herders in 2013,
10,000 in 2015

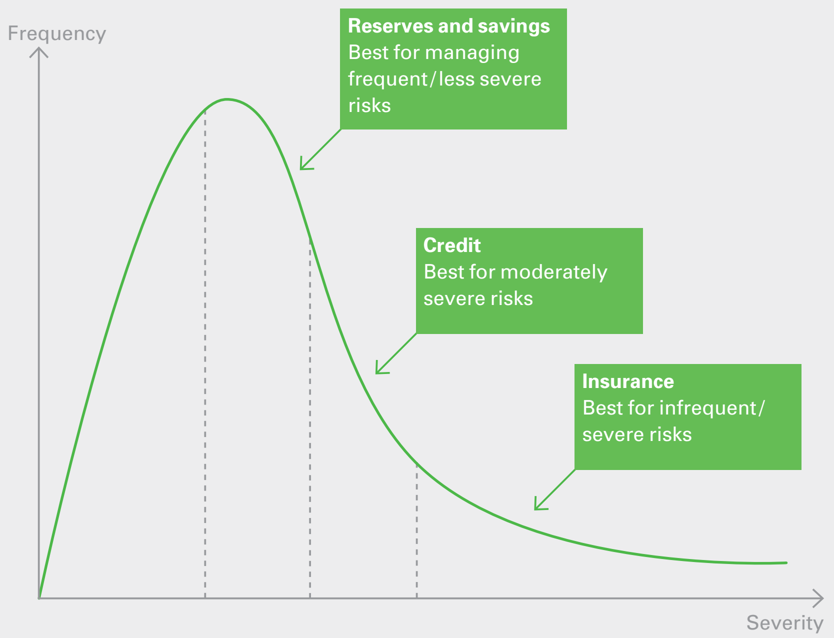
Insured risks
Severe livestock losses due to dzud (Mongolian term for a harsh winter)

Premium
US$ 46 in 2013,
US$ 63 in 2015

Case Study 1: Mongolia

The first case study was on the development of an index-based livestock insurance product (IBLI) for Mongolian farmers. The insurance pays the herders if the livestock mortality rate exceeds a pre-determined threshold. Mortality rates were determined on county level and the risk was layered by two thresholds. If the mortality rate is below the lower threshold, the herder assumes all losses. If the mortality rate is above the lower threshold but below the higher threshold, payouts are fully covered by the insurance premiums collected. If the mortality rate is catastrophic and above the higher threshold, payouts are subsidised by the government through risk pooling and reinsurance.

Figure 1
Blending reserves, emergency liquidity, and risk transfer
Insurance is best suited for the most severe events, while emergency liquidity can be used to cover more moderate disaster risks



Source: Skees, Jerry. Presentation "Progress, Setbacks, Adjustments – Searching for Disaster 'Insurance' Solutions for the Poor." 11th International Microinsurance Conference 2015.

The study observed that herders were more willing to subscribe after an extended cold period and that they preferred policies with a lower first trigger resulting in a smaller but more frequent payout. Herders resisted attempts to shift from insurance to savings accounts for managing moderate levels of risk.

Case Study 2: Peru

The second case study focused on a meso-level insurance product for financial institutions to protect them against flooding caused by El Niño. The purpose of the insurance was to enable banks to continue to provide loans following a disaster, when credit is most needed, despite the liquidity and profitability concerns. Even if a disaster does not occur, the availability of such insurance coverage still promotes economic growth, as it instils confidence in the banks to operate in disaster-prone regions and increases their lending capacity.

The product was terminated after two years. The trigger for payout was the sea surface temperature off the coast of Peru one year before most business interruptions, so that the product was not attractive. There were no data standards for disaster risk, and the calculated costs of risk for reinsurance companies were high. Only one insurance company and one reinsurance company implemented the project, as no one was willing to invest in building capacities and in regulatory research to develop the market if clients could be appropriated by competitors.

Case Study 3: Vision fund for Haiyan in the Philippines

The third case study was a macro example of a multi-country vision fund providing post-disaster recovery loans when most other financial institutions were not prepared to do so. The repayment rate remained above average and customer loyalty was established. The demand for loans far exceeded supply, and the positive response to this vision fund has promoted the further development of this fund.

From awareness to adverse selection? Cardiovascular disease risk factors and health insurance decisions

Cardiovascular disease (CVD) is the leading death factor for adults in low- to middle-income countries. Health insurance not only can improve access to cost-effective treatment for CVD but also for CVD drivers. There are concerns, however, that adverse selection of CVD risk factors could distort the health insurance market.

This study sought to improve understanding of how CVD risk factors affect adult health insurance decisions by posing the following questions: to what extent does CVD risk allow the prediction of enrolment; does the household consider CVD risk in insurance decisions; what mechanisms explain these results?

The Hygeia Community Health Care (HCHC) programme was launched in 2009 in two towns in Kwara Central, Nigeria, offering voluntary health insurance to low-income people. The Framingham risk score developed by Boston University was adapted to data collected from household surveys. The ten-year risk score was calculated on the basis of non-laboratory predictors such as age, body mass index, systolic blood pressure, tobacco smoking and diabetes.

The study found that CVD risk is not a strong predictor of health insurance enrolment and that only the age of male adults allows enrolment prediction on the baseline. It also found that CVD risk factors do allow the prediction of follow-up expenditures and that households do not enrol the breadwinner exclusively. There is a trade-off for private insurers to raise awareness for CVD risks. Although this may lead to greater prevention, adverse selection increases. Individual-level health insurance may not be the most appropriate financing strategy for CVD prevention.

Research methods to understand risk management strategies of the poor

The panels expanded the scope beyond studies on microinsurance or in developing countries **and discussed current research methods that could be applied to understanding the risk management strategies of the poor in general.**

6 — Glenn Harrison, C.V. Starr Chair, Robinson College of Business, CEAR/GSU, United States.

7 — Karlijn Morsink, British Academy Postdoctoral Fellow in Economics, University of Oxford, United Kingdom.

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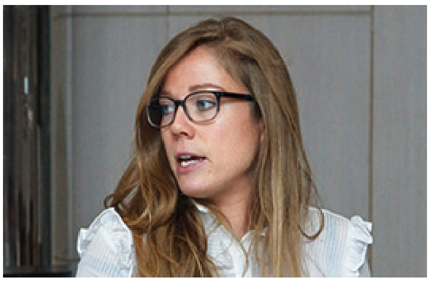

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Pre-conference seminar 1
Insurance solutions for the poor: disaster, health, agriculture and the latest research on risk management

Panel 1: Mixed-methods study of risk exposure and risk management among the poor in Atlanta

There are three ways of collecting mixed data: surveys, weekly diary interviews and behavioural economics experiments. Surveys are quick and can be conducted at low cost. However, there is no incentive for honest answers and the surveys depend on the accuracy of the subjects' memories. They are useful for collecting demographic, financial and health data and also information on risky behaviour, although this information is static. Weekly diaries still depend on the subjects' memories, but trust and the bond between the interviewer and the participants should increase the level of truthful responses. They are time-consuming for both the participant and the staff, but are useful for collecting information on expense and revenue streams over time. Behavioural economic experiments are choice tools with actual monetary consequences and thus expensive. To the participants, they may appear to more closely resemble a game than an authentic reflection of real life, but they allow the direct observation of selection behaviour. Data from these experiments can be used to measure levels of risk aversion and beliefs concerning daily environmental risks. Data collected from the various methods can be used to explain responses to interventions or natural shocks, explain uptake variation across the spectrum of individuals, and correlate population characteristics across diverse data collected using different methods.

Panel 2: Risk management for the poor – Research methods

The questions posed so far in microinsurance research have been about:
— How policies should be designed;
— Identifying **barriers to demand and how it can be sustained;**
— The impact of microinsurance on financial outcomes and well-being.

It would be interesting today for research to look at:
— The impact of distribution channels such as mobile transactions;
— Climate change;
— More effective verification technologies such as for claims assessment and remote-sensing for agricultural insurance.

Another interesting area of research is the examination of the level – household, group, companies or government – that microinsurance coverage should target. An improved understanding of the behavioural welfare economics of insurance coverage is also required as there is a gap between the decision utility that characterises choice and the experience utility that characterises welfare. Researchers could also use big data to examine government policy evaluation.

Does index insurance help households recover from disaster? Evidence from IBLI (Index-based Livestock Insurance) in Mongolia.

Index insurance is discussed with great enthusiasm in the policy community. However, there is little evidence proving that index insurance actually delivers the anticipated benefits. This study looked into the impact of indemnity payments from index insurance for the asset recovery of households after a weather disaster. It made use of IBLI data in Mongolia. The IBLI product was introduced as a pilot project in 2006 where a disastrous winter in 2009 (a "once-in-50-years event") caused mass livestock deaths.

The study exploited the index insurance phase-in period and employed matching methods to simulate the counterfactual outcome. It provided evidence on the ex post effects of index insurance by using observed post-shock asset dynamics. It was also the first study to provide a quantitative assessment of IBLI Mongolia, the only index insurance scheme to date that has so far been coupled with an independent commercial scheme. The study found that index insurance helps households recover herd size more quickly, and that this effect is at its strongest two years after the disaster.

While exploring the mechanisms of the strong economic effects of the relatively small indemnity payments, the study found that none of the households used the indemnity payments to buy new livestock. Instead, a majority of the payments were used to buy food and other household necessities so that households would not need to slaughter livestock for food. Households that purchased IBLI were less likely to sell livestock after the crisis and more likely to borrow money to smooth consumption. Indemnity payments were not made during the livestock-purchasing season. Herders prefer to buy livestock in the spring when animals are thinner and have time to adjust to their new environment before the winter.

Evaluating the expected welfare effects of index insurance

Insurance take-up can be used as a proxy for evaluating welfare gain from insurance. Using take-up assumes that people should not be willing to purchase the insurance product unless it brings them benefits. Purchasing insurance involves making an upfront payment for uncertain future benefits, so it may not be straightforward for individuals to determine whether or not the insurance will be beneficial for them.

This study used the risk preferences of individuals to measure the expected welfare gain provided by an index insurance product. Lab experiments allow clear identification of the parameters and complement the field experiments.

SEWA (India)

Number of people insured
59 villages between 2006–2014

Insured risks
Rainfall during the sowing, podding, harvesting phases respectively

Premium
US$ 1.50 per season

The experiment consisted of two tasks. The first examined and estimated a subject's preferences based on binary lottery choices. The second task presented subjects with an array of index insurance choices with varying index loss probabilities, premiums and correlations, where correlation is defined as the probability that an individual's personal outcome matches that of a separate index.

The insurance choices of the second task were presented in two different approaches. In one approach, the index loss probabilities were presented separately from the correlation probabilities. In the other approach, the probabilities were combined to reflect the probability of the individual's personal outcome. The study found that insurance selection was more efficient when the probabilities were presented as a combination rather than separately. Not only did subjects choose to purchase insurance more frequently when the probabilities were combined, but they also made the correct decision more frequently when the insurances selected were expected to result in welfare gain.

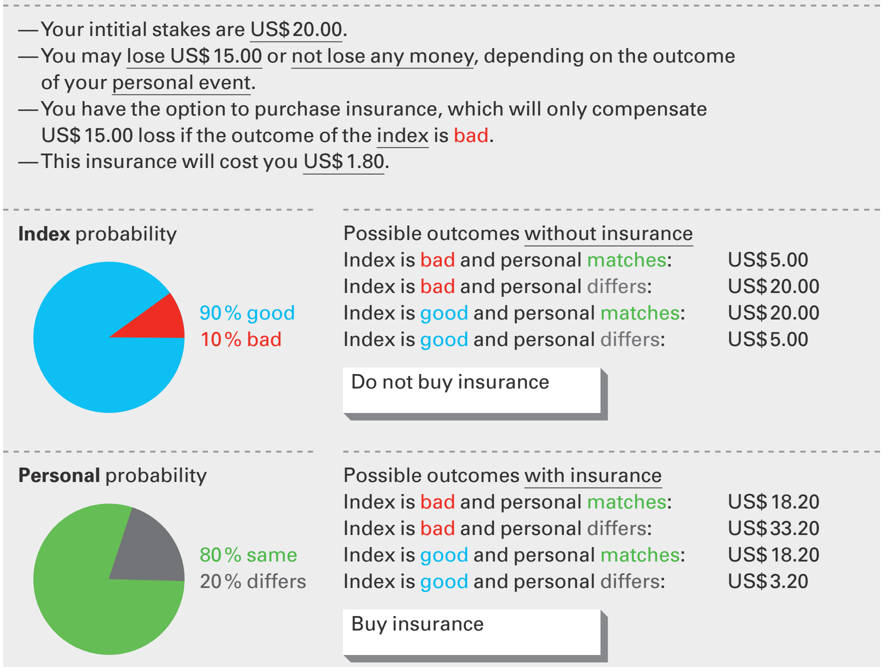
Insuring against weather risks: long-term evidence from India

An eight-year study was conducted with the Self-Employed Women's Association (SEWA) in Gujarat, India, where weather index insurance was introduced and marketed. During the term of the study, there were incidences of poor weather but they were not severe.

The first question the study examined was how the insurance affected ex ante production decisions and agricultural outcomes. Results from the household surveys showed that there was no increase in the variety of high-yielding crops grown or the extent of land cultivated. They indicated that the impact of having insurance coverage for agricultural profits is negative but not statistically significant.

The second question examined the ex post effects of index insurance on consumption and well-being. There were no systematic results regarding the closest proxies for financial activities such as savings, lending and borrowing, the consumption of food, non-food and durables, or on income events such as gifts or transfers received, total income or income from non-agricultural sources. The study confirmed that insurance acts as a substitute for informal risk-sharing mechanisms. Village payout per policy in the preceding year and the number of households in the village that received a payout in the preceding year have a positive effect on the demand for insurance.

Figure 2
Sample screenshot for index insurance preferences



Source: Ng, Jia Min. Presentation "Evaluating the expected welfare effects of index insurance". 11th International Microinsurance Conference 2015.

Pre-conference seminar 1
Insurance solutions for the poor: disaster, health, agriculture and the latest research on risk management

The study lastly looked into index insurance alternatives that could manage weather risk. Weather insurance savings accounts (WISAs), which are products that combine savings with index insurance, the marketing of complex financial products and coordination with informal insurance groups were taken into consideration. The field experiment regarding WISAs showed that customers value pure savings or pure insurance products over an interior mixture of the two, and that framing the products as either insurance or savings had no significant effect.

Field experiments also showed that financial education and the sale of insurance at group level also increase the demand for insurance.

Social preferences, risk-taking and implicit penalties – Experimental evidence from formal and informal insurance decisions in Ethiopia.

The willingness of individuals to redistribute income to members of society who experience losses is crucial to the functioning of welfare systems. People are willing to redistribute some of their own income to peers who experience losses as a result of "bad luck". The extent to which their peers can be held responsible for outcomes can influence them.

A framed field experiment was conducted with 1,536 farmers from *iddirs (informal emergency and funeral insurance groups)* in rural Ethiopia. In a benchmark exercise, farmers played dictator games in two-person groups after one farmer, "J", experiences an exogenous shock. Farmer "I" is the dictator and can transfer money to "J". In the experiment games, "J" is offered indemnity or index insurance before the shock occurs.

The study found that individuals make redistribution decisions based on ex post differences in outcomes between themselves and others. Average transfers are significantly lower when peers are protected through insurance claim payments. If peers take risks and experience losses, individuals are willing to redistribute, but less frequently than when losses are caused by misfortune. The application of implicit penalties, which is determined by the individuals' attitude towards risk, explains this transfer behaviour in which individuals reduce the weighting of their peers' outcomes.

Support for redistribution norms and rules depends on the individuals' own attitude to risk, thus resulting in adverse selection problems. To understand the complementarity and substitution of formal and informal insurance assessing, other transfer motives than reciprocity are important. If peers suffer misfortune subsequent to purchasing index insurance, transfers increase but do not compensate for the full extent of the loss. This is especially problematic for the most vulnerable people.

Lessons learnt

— Insurance is best suited for the most severe events and should be combined with savings and credit products for a holistic approach to risk management. The demand for such a strategy is lower than the demand for fair insurance.

— A study on the livestock insurance programme in Mongolia shows that index insurance helps households recover the size of their herds more quickly.

— A study on weather index insurance in India shows that financial education and the sale of insurance at group level increases the demand for insurance.

— A field experiment in Ethiopia shows that individuals are more willing to approve more money when peers are also protected by insurance payments. This is also determined by the individuals' own risk attitudes.

8 — Jeremy Tobacman, Assistant Professor, Wharton School, University of Pennsylvania, United States.

9 — Jerry Skees, H.B. Price Professor, University of Kentucky / GlobalAgRisk, United States.

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How the International Microinsurance Conference promotes careers in microinsurance

Jia Min Ng
CEAR, Georgia State University, USA

I love being an actuary and was working in a life insurance company in Singapore when I heard about microinsurance. Through searching the internet, I learnt that organisations such as ILO's Impact Insurance Facility and Munich Re Foundation were encouraging research to gain a better understanding of the market. However, I could not find any job opportunities for actuaries in commercial microinsurance companies.

Studying for a PhD in microinsurance seemed a more viable immediate option. It would provide the critical thinking skills required to understand and implement microinsurance studies. Being part of the Center for the Economic Analysis of Risk (CEAR) from Georgia State University would allow for exposure, as they are the academic partners of the International Micro-insurance Conferences. CEAR has twice sponsored my attendance at the conference; once as a participant and once as a presenter in the academic pre-conference.

● CEAR,
Atlanta, USA

My thesis is about using behavioural economics to calculate the expected welfare benefits of insurance by using experiments to elicit individuals' risk preferences. This methodology is being applied to understand how microinsurance products such as index insurance benefit individuals and is an alternative to simply using product take-up to measure welfare gain.

More information

www.cear.gsu.edu/

10 — Jia Min Ng, CEAR, Georgia State University, USA

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Pre-conference seminar 2

5th Consultative Forum – Consumer education: old questions, new thinking

Martina Wiedmaier-Pfister

Consumer education is more important than ever in today's rapidly changing insurance business environment. Trends such as increased reliance on digital distribution have been having a substantial impact on both the dissemination of financial education and the range of consumers involved. In addition to this, there has been a significant increase in the number of public-private multi-stakeholder efforts. The Forum offered the public and private sectors a platform to discuss not only good practices and emerging trends but also the role of different stakeholders and impact of current practices.

Emerging trends in consumer education

The objective of improved financial literacy has been replaced by financial capability. Financial literacy efforts aim at generating consumer awareness as well as ensuring that the consumer understands the concept of risk and insurance (or the product), makes the right choice and knows how to use insurance. However, if the aim is to improve financial capability, this is not enough. To improve financial capability, financial education efforts also need to affect consumer attitude to insurance and bring about a positive change in consumer behaviour. Put simply, the idea is to ensure that education leads to insurance uptake. However, behavioural change takes time and cannot, therefore, be easily linked to specific educational efforts This makes it difficult to draw clear conclusions as to whether a particular campaign provides value for money and is making an impact or not.

There is a greater awareness of the need for financial education efforts to be matched with suitable products. Education raises client awareness of the risks in their lives for which insurance can potentially provide affordable solutions. However, without the availability of suitable products, potential consumers have no opportunities for putting their new knowledge to use and financial consumer education will have little real impact. An impact assessment of a consumer education project in Brazil showed that it had not resulted in a measurable growth in sales. One reason was that the project had not provided a parallel offer of affordable products.

More frequently, financial education and learning are recognised as consumer rights and an integral part of consumer protection. Several countries have made consumer education compulsory, such as Indonesia and Colombia. Stakeholders from the public and the private sector have been implementing a myriad of educational approaches, thus proving their commitment to advancing financial education.

An increased number and variety of stakeholders has become engaged in consumer education initiatives. This includes the insurance industry (underwriters, brokers and associations), national public authorities (central banks, ministries of finance, education and agriculture, and insurance supervisory authorities), civil society, donors and other global contributors such as credit card firms. In some jurisdictions, the establishment of cross-sectoral government-driven national initiatives has achieved a considerable level of coordination between these stakeholders.

Multi-stakeholder approaches have significantly increased in popularity. According to the OECD 58, jurisdictions have now established such a strategic approach. It envisages public and private stakeholders getting together under the auspices of their government authority to develop, adopt and implement a national strategy on financial education. Implementation includes a series of public actions and joint educational campaigns. A baseline survey at the beginning, and the monitoring of achievements and impact assessments are part of the process. Last but not least, a national multi-stakeholder effort relies on financial and in-kind contributions from all stakeholders, including fiscal resources. Contributions from the industry can either be made individually or via the industry association.

More efforts are being made to measure the impact of financial education efforts. However, despite many pilot projects and stakeholder efforts in the past and also some emerging good practices, it is still not clear what works in terms of the educational approach chosen, how resources can be used most effectively and what triggers the intended changes at consumer level. Forum speakers reported successes in terms of a combination of face-to-face education and general insurance awareness measures for a broad audience. The panellist from South Africa reported that such a combined approach was actually required

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11 — Othman El Alamy, Directeur Adjoint, Ministère des finances – Direction des assurances, Morocco.

12 — Peter Braumueller, Director of Insurance and Pension Company Supervision, IAIS, Switzerland.

specifically by South African legislation. Others reported that consumer learning using products provided by mobile network operators for free or offered by health cooperatives was the most successful approach. This was particularly so when the products offered had a high claims ratio enabling consumers to experience at first-hand the benefits that insurance can provide, thus making them more likely to purchase insurance in the future.

An increasing variety of potential educational approaches are being used. These can be split across five broad categories: media and electronics, advocates, communities, education and give-aways (see table below), many of which are being used in combination. The approach chosen will depend on the particular circumstances, for example, the budget available and the specific objective of the campaign. The same can be said about what works. In some markets, comic books or commercial advertisements that rely on local spokespersons, testimonials or popular actors, the use of edutainment – a combination of entertainment and education – has had good results. However, in other circumstances, such an approach might not achieve the desired results. Loyalty insurance was reported to show high conversion rates to a paid product, which can be considered as proof for good "education by using insurance".

13 — Martina Wiedmaier-Pfister, Policy Consultant, Germany.

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Some insurers and brokers reported that numerous insurance education pilots had been launched and were later discontinued, as they were not considered cost-effective and could not be proven to induce a measurable change in client behaviour, i.e. increased purchases. In some markets, such as South Africa, the approaches used are more firmly established and more mature. Here, the industry has been active in this field for more than a decade and the insurance supervisor has played an active role by being present at community events, establishing a foundation to mobilise funds and running a specific department within the commission.

"Everyone needs to be educated, not only the potential consumer."

Eduardo Morón, APESEG (Industry Association), Peru

"The only way to educate people about insurance is to provide them with experience in it."

Craig Churchill, ILO Impact Insurance Facility, Switzerland

"We do not need another disaster to know what insurance is about."

Dorothy Calimag, Deputy Commissioner, Insurance Commission, the Philippines

"Funding must come from both sides, public and private."

Martina Kgoale, Hollard Insurance, South Africa

Table 1
Categories of educational approaches

Media, electronic	— Radio jingles, drama — TV programmes — Leaflets, posters — Speeches, interviews	— Billboards — Articles, blogs — Videos, music — Internet portals — Comparison websites	— Phones: SMS, quiz, mobile applications — Tablet computers — Brand: logo
Advocates	— Teachers — Priests — Trade unions	— Corporate volunteers — Employers	— Journalists — Trainers — Clients
Communities	— Competitions — Expositions — Road shows	— Theatre — Fun runs — Group games	— Workshops — Fairs — Study circles
Education	— School or university curricula — Clubs, visits to financial institutions	— Teaching material — Tests	— National financial education week/month
Give-aways	— Token gifts	— Loyalty products	

Source: Input presentation by Martina Wiedmaier-Pfister. 11th International Microinsurance Conference.

Pre-conference seminar 2
5th Consultative Forum –
Consumer education:
old questions, new thinking

Current challenges in consumer education

How to increase trust in insurance and insurers – Insurance education must be combined with efforts to increase trust in insurance and insurers. Insurance education can be more successful in an environment that also works at improving trust in insurance to encourage private insurance take-up. Increasing trust in a financial product that has a low transaction frequency is difficult, as they do not allow consumers to easily familiarise themselves with insurance companies and build up trust in them. In contrast to this, the mobile phone companies have a "trust advantage".

How to improve the comprehension of insights gained from behavioural finance and apply these learnings to consumer education efforts. There is a need to understand and apply insights from behavioural finance better. Behavioural changes require all stakeholders to increase their knowledge about how behavioural-finance approaches work. For example, it is widely recognised that peer pressure or assisting clients to fill in a form has a greater impact on insurance purchases than merely trying to inform or teach people.

How to increase awareness of the new consumer protection risks arising from digital financial inclusion. The increase in digitally supported distribution comes with new consumer protection risks, such as misaligned incentives for the sales staff of non-banking agents or the misuse of data. Consumer awareness in this field and general insurance awareness must be built up. The education of sales staff is also crucial.

How to most effectively mobilise stakeholders and structure multi-stakeholder efforts. Financial sector stakeholders have been setting up dedicated foundations, trusts or coordination bodies for a coordinated approach to consumer education. These entities and national programmes have been struggling to set the right priorities, incentivise stakeholders, develop and implement feasible action plans, secure continued political commitment and build on public-private partnerships while mobilising long-term funding.

How to support consumers in understanding innovative business partnerships in digital distribution. In an increasing number of markets, mobile-network-driven (MNO) loyalty insurance reaches out to millions of first-time insurance consumers. The client can purchase an upgraded product for which it is imperative that the client be made to understand its use.

How stakeholders promoting consumer education can deepen their understanding of features required to make an educational approach effective. The emerging good practices presented at the Forum are relevant for all stakeholders (see Box 1).

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14 — Left to right:
Brandon Matthews, Managing Director, Stonestep, Switzerland; Jacky Huma, Head of Department, Microinsurance Supervision, FSB, South Africa; Richard Leftley, CEO, MicroEnsure, United Kingdom; Mehdi Tazi, CEO, Saham Assurance, Morocco.

Box 1

Emerging good practices on success features of educational approaches – for all stakeholders

- **Balance education** with a sensible product offer. Do not educate on products that are not available for purchase.
- Reinforce messages and **provide continuous education** in alignment with awareness progression.
- Rely on a **multi-channel approach;** reinforced and repetitive messages have a lasting effect.
- Focus on **early education;** educate young people in schools and colleges as they will be prepared and also educate their parents.
- Education is more effective when **provided at the right moment** in the life cycle, for example, when buying a house, getting married.
- Take **timing and location** into account while harnessing existing learning environments.
- Make use of **high-frequency contact points with potential consumers,** such as radios or billboards in commuter trains.
- **Simplicity** is required in all steps: product design, messaging and performance measurement.
- **Educate catalysers** as insurance advocates such as local government representatives, journalists, employers, teachers and church leaders.
- Education needs to **include risk management** behaviour not only insurance.
- **Question impact and install simple monitoring and evaluation** measures from the outset.

Lessons learnt for supervisors and policymakers

- Engage in public-private efforts in partnership with other public authorities to make use of synergies across policy spheres.
- Integrate public-led and private-led insurance education.
- Take the motivation and decision-making processes of industry and other stakeholders into consideration when requesting their contribution to a national effort.
- Integrate insurance education into a national financial sector effort in cases where it has so far been overlooked.
- Link consumer protection with consumer education. Simplify regulation and take regulation to the people by educating them.
- Be a supervisor who is present where people work and live.
- Create a provider-neutral brand logo for standardising the provision of independent advice and awareness campaigns.
- Make consumer education sustainable. This requires public funding, efficient management of the private sector contributions and support for institutionalisation.

Lessons learnt for the industry

- Cooperation with industry associations that can reach out to the masses and coordinate private sector activities with the authorities.
- Contributions to national initiatives on consumer education.
- Demonstrate presence at community level by using local structures and adapting insurance processes and communications to community requirements, for example, by informing local leaders or using the testimonials of policyholders who have had a positive claims experience .
- Invest time and money in general awareness creation and face-to-face education.
- Provide clients with the opportunity of applying what they have learnt by ensuring that suitable products are made available.
- Loyalty insurance, funded by mobile phone operators for loyal clients, can achieve a significant conversion rate to a paid product if the product has a high claims ratio and addresses a real consumer need such as hospitalisation.

15 — Left to right: Brigitte Klein, Head of Sector Project Financial System Development, GIZ, Germany; Namahadi Martin Kgoale, Head of Sales, Hollard Insurance, South Africa; Eduardo Morón, President, APESEG, Peru; Dorothy Calimag, Deputy Insurance Commissioner, Insurance Commission, Philippines.

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Pre-conference seminar 3

2015 Impact Insurance Forum

Jasmin Suministrado

The 2015 Impact Insurance Forum [1] focused on the topic of "Bundling agriculture insurance products for improved value and viability". Bundling agriculture insurance with other services, such as credit and improved farm inputs, is quickly emerging as a solution to help agricultural insurance scale up and give farmers some tangibility of insurance. Many lessons learnt from existing experiences can benefit the entire insurance industry.

Plenary discussion: examples of bundling

The plenary session featured resource persons from both the development sector and the implementing organisations, and highlighted their experiences with bundling.

Munich Re presented the reinsurer's perspective on insurance bundling. From the reinsurer side, bundling improves risk assessment, thus allowing optimisation of product pricing. Society can benefit from bundling, as it facilitates the rapid scaling-up of agricultural insurance and consequently encourages growth in agricultural production.

PlaNet Guarantee shared examples from its projects in West Africa to show how bundling insurance with loans for input services (such as seeds and fertilisers) and output products (such as harvests) helps stabilise income for the farmers. It reduced the risk in the portfolio for financial institutions, stabilised demand and revenues for agricultural input providers, and ensured steady supplies at stable prices for farm production companies.

The Munich Climate Insurance Initiative discussed benefits for the demand and supply sides of insurance in its Caribbean project. Through bundling, distribution channels had the opportunity to cross-sell and deepen existing relationships while incurring minimal acquisition costs. On the demand side, bundling improved farmers' access to loans, allowed policyholders to use policies as collateral and obtain larger loans, and helped farmers to avail of non-financial services such as agricultural advice and discounts on supplier inputs.

The World Bank Group raised the question of whether selling stand-alone insurance and selling insurance to individuals as opposed to groups can even be considered an option. Bundling provides numerous benefits for farmers, aggregators and insurers. For farmers, these include better access to credit and insurance, potentially lower premiums if the product is mandatory, and lower costs in accessing multiple services provided via "one-stop shops." From the aggregator perspective, it can help institutions reduce agriculture-lending risk, increase loyalty and stickiness and leverage value-added services. For insurers, bundling offers an opportunity to increase outreach and penetration while saving on costs by leveraging partner networks. However, several challenges were also observed, including consumer education, transparency and the affordability of the bundled package for the farmer.

16 — Jasmin Suministrado, Senior Knowledge Officer, ILO's Impact Insurance Facility, Switzerland.

17 — Craig Churchill, Chief of ILO's Impact Insurance Facility, Switzerland.

1
Each year, the ILO's Impact Insurance Facility organises a highly interactive and interesting knowledge exchange forum that brings practitioners from around the world together to share their experiences and reflect on lessons learnt about key topics in inclusive insurance. The first Forum was conducted in 2008 and since 2014 has been organised as a pre-conference session of the International Microinsurance Conference.


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Challenges and opportunities for consumer education

Building understanding and trust in insurance is pivotal to reaching more farmers. However, this becomes more challenging when insurance products are bundled. Three topics were covered in this parallel session:
- — Past challenges and how these might be overcome;
- — Challenges in and opportunities for reaching rural clients with consumer education;
- — The potential of national strategies to increase understanding of insurance.

The main point raised was the importance of measuring the impact of education initiatives, so that they can be seen as an investment in increasing understanding of the bundled product and not just a cost factor for stakeholders. Nonetheless, individual campaigns remain challenging. Participants therefore agreed on the importance of national strategies in bringing a range of stakeholders together to implement more effective and more sustainable campaigns.

Challenges and opportunities in leveraging government service networks

In this parallel session, discussions delved into three areas where government service networks can or are being leveraged for bundling:
- — The Senegalese experience in agricultural insurance;
- — General microinsurance;
- — Financial education and general financial inclusion.

In Senegal, opportunities include the deployment of public officers or local government services to perform activities belonging to the microinsurance value chain, among them awareness raising, distribution, loss adjustment and prevention measures. In the area of general microinsurance, the participants agreed that it is necessary to create national risk management schemes that are holistic and allow synergies among stakeholders to be exploited. For instance, linking insurance to social protection programmes and leveraging governmental infrastructure to collect data to be shared with the market. Several country examples were also presented that demonstrated how government service networks can be leveraged for financial literacy education and inclusion, such as the experience with livestock and health insurance in Kenya, conditional cash transfer in Pakistan and the pension scheme in Egypt.

18 — Left to right: Pranav Prashad, Technical Officer, ILO's Impact Insurance Facility, Switzerland; Sobiah Becker, Project Manager, MCII, Germany; Gilles Galludec, Principal, GIIF/Worldbank Group, Thailand; Alexa Mayer-Bosse, Business Development Manager, Munich Re, Germany; Mathieu Dubreuil, Microinsurance Specialist, R4-Rural Resilience Initiative, WFP, Senegal.

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Challenges and opportunities for distribution

Distributing bundled agricultural insurance products involves various stakeholders across the agricultural value chain, with interaction between aggregators and the end customers. This makes distribution management more complicated and requires a more systematic approach to ensure that activities are performed efficiently. Small group discussions in this session focused on:
— The alignment of priorities across the value chain;
— Technology issues for bundled products;
— Value creation: mandatory versus voluntary products.

In summary, the discussions underscored the importance of aligning the expectations of different players over the short and long term so that value can be created not just for each individual player but also for the end customers. Technology offers a huge potential in facilitating distribution and the delivery of value to different players, but sharing the upfront investment and costs requires careful consideration. The distribution of bundled products can offer benefits, but these must be weighed against the effort required for education if it is to deliver optimal value to clients.

Lessons learnt

— Bundling insurance with other services can offer many benefits to farmers, aggregators, insurers and reinsurers, and can be maximised if expectations across the value chain are aligned.

— The use of the aggregator model can help in distribution and consumer education, with benefits translating into cost reductions across the value chain. However, the priorities and incentives of the different players must be considered.

— Governments can provide the platforms for risk analysis and build on the positive externalities that insurance can bring to economic development. However, trust in government and the insurance industry can be an issue.

— Public officers or local government services can be leveraged for some activities, including awareness raising, distribution and loss adjustment.

— More holistic approaches for consumer education, with frequent campaigns based on continuous needs assessments, could produce better results.

— Technology can be a great enabler for bundled products, but challenges in harmonising processes and the data requirements of the different players must be overcome.

19 — Active participation characterises the ILO's Impact Insurance Facility's workshop.

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Agenda

Day 1 afternoon sessions
3 November 2015

Opening

Welcome addresses

Welcome

Michael J. McCord
Chairman, Microinsurance Network, President, MicroInsurance Centre, United States

Thomas Loster
Chairman, Munich Re Foundation, Germany

Mohamed Hassan Bensalah
President, FMSAR, Morocco

Keynote

Mehdi Tazi
Président Directeur Général, Saham Assurance, Morocco

Facilitator
Bachir Baddou
Directeur Général, FMSAR, Morocco

Plenary 1

From national schemes to individual protection against climate risks: what do the recent G7 decisions on insuring the poor against climate risks mean for the industry?

Jerry Skees
H.B. Price Professor, University of Kentucky / GlobalAgRisk, United States

Olivier Mahul
Program Manager, Disaster Risk Financing, the World Bank, Thailand

Isaac Anthony
CEO, CCRIF SPC, Cayman Islands

Massamba Diop
National Administrator ARC, Government of Senegal, Senegal

Facilitator
Thomas Loster
Chairman, Munich Re Foundation, Germany

Introduction and opening addresses

In 1777, Morocco became the first country in the world to recognise the independence of the United States of America and is home to the oldest US diplomatic property. In 2015, Morocco was poised to make history again with a first-of-its-kind, and perhaps the world's largest, solar plant in the desert gateway city of Ouarzazate. The generation of concentrated solar power, even on days without sun, cuts the country's oil consumption by two and a half million metric tons. In the same year, Morocco also chalked up a first for the Middle East and North Africa by hosting the 11th International Microinsurance Conference – whose first plenary, incidentally, was devoted to climate risk reduction.

Speaking for 350 participants from 55 countries, Thomas Loster, chairman of Munich Re Foundation, said "We are proud and honoured to be in Morocco – a gateway to North and West Africa." At the G7 summit in June 2015, he added, an unprecedented commitment had been made by important country leaders to increase the so-called climate insurance cover for an additional 400 million poor and vulnerable people in highly exposed and low-income countries by 2020. "The world leaders have called for concrete steps by the insurance industry to help low-income people recover from weather disasters, adapt to climate change and build their resilience. The microinsurance sector must be prepared for this challenge."

The conference is taking place during the FI2020 Week on 2–6 November 2015, a global movement to advance financial inclusion, Mr. Loster said, and most sessions of the conference will provide evidence on the contribution that microinsurers are making to this important goal.

Michael McCord, chairman of the Microinsurance Network, in his welcome speech said that 60 million people in Africa are today covered by at least one microinsurance product. The latest landscape study shows that microinsurers, while increasing financial inclusion, are driving growth and sustainability: good insurers creating a variety of new products with effective distribution channels. "And there is clear and focused regulation in more and more jurisdictions."

Also on hand to welcome delegates were Mohamed Hassan Bensalah, Président de la Fédération Marocaine des Sociétés d'Assurances et de Réassurance (FMSAR), the Moroccan Federation of Insurance and Reinsurance Companies, and Othman El Alamy, Directeur Adjoint of the Ministry of Finance, who presented on behalf the Minister of Finance Mr. Mohamed Boussaid.

Box 2

Financial Inclusion
A state in which everyone who can use them has access to a full suite of quality financial services provided at affordable prices in a convenient manner with respect and dignity. Financial services are delivered by a range of providers in a stable, competitive market to financially capable clients.

Financial Inclusion 2020
www.fi2020week.org

20 — Bachir Baddou, Directeur Général, FMSAR, Morocco.

21 — Michael J. McCord, Chairman, Microinsurance Network and President, MicroInsurance Centre, United States.

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Mr. Bensalah thanked the conference organisers and partners for their efforts in successfully hosting an event of such dimensions. FMSAR is pleased to be among the hosts and feels itself privileged to receive so many delegates from around the world, he said on behalf of the country's insurance and reinsurance industry. "The conference will examine a broad range of key micro-insurance issues in order to find adequate solutions adapted to the new and challenging economic, social and environmental contexts."

The number of people in the world with no access to any financial products is currently 2.5 billion and indications suggest that this figure is continuously increasing, Mr. El Alamy explained. "And though many governments, NGOs and other actors have been contributing to an improvement of financial inclusion worldwide, the question is whether this is enough in view of the increasing risks that are arising."

Mr. El Alamy underlined the flexibility of microinsurance solutions: not only does microinsurance offer a large range of products responding to a wide diversity of risks faced by individuals, but these products also can be distributed by a wide diversity of actors who can reach all segments of the low-income population. This diversity of products and players is crucial, he added, because the success of microinsurance remains dependent on social, cultural and economic factors pertaining to the population concerned.

Referring to the landscape of financial services in Morocco, Mr. El Alamy said that even though microcredit is well developed in the country, this is not the case with microinsurance. There are only a few microinsurance products, that were developed with the strong involvement of the government, and they respond to the foremost risks faced by the Moroccan population: theft, fire and health. Recently, two insurance companies had launched microinsurance products in cooperation with micro-credit associations, Mr. El Alamy explained. "I encourage other initiatives of the same type in line with the National Initiative for Human Development (INDH) – a legislative measure adopted to facilitate and accelerate access to financial services for low-income sectors", he added.

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

23 — Othman El Alamy, Directeur Adjoint, Ministère des finances – Direction des assurances, Morocco.

24 — Mohamed Hassan Bensalah, President, FMSAR, Morocco.

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Keynote address

Mehdi Tazi
Président Directeur Général,
Saham Assurance,
Morocco

Fifteen years ago, microinsurance was seen as something of an oddity in the insurance world. Who would have thought that people earning just a few dollars a day were worth courting, or that insurance policies priced at 50 cents a month could be profitable? Today, this has become reality and a real growth driver for insurance companies.

Microinsurance is, in fact, now recognised as a financial tool capable of providing low-income populations with long-term help to better manage their risks, while ensuring significant business potential for insurers.

Why is microinsurance important?

First of all, for insurance companies, microinsurance is a segment with very strong potential, double-digit growth and a very low rate of penetration. It is, therefore, not simply a growth driver for insurance companies but also a real source of opportunities.

The World Bank estimates that there are between 4 and 5 billion people in the world with a purchasing power of less than US$ 8 a day. A little over half of these people are so poor that they can only survive thanks to foreign aid and therefore have no access to the financial market (banking and insurance). This leaves us with about 2.3 billion potential microinsurance consumers. Of these 2.3 billion, only 5 % have insured themselves, their crops or their property.

This means we are talking about a market of 3–4 billion insurance policies generating between US$ 30 and US$ 50 billion in annual premium revenue, with growth in excess of 10 %.

In Africa, microinsurance has seen very strong growth in South Africa in particular, but also in West and East Africa. However, the potential is still very strong. Only around 5 % of the low-income population in Africa is covered by microinsurance.

Insurance companies are therefore aware that developing microinsurance for low-income populations can have significant long-term advantages. More than 500 million people have gone from being "poor" to what we call "middle class." Companies that offer microinsurance can therefore quickly position themselves to break into the future "middle-class" market.

Microinsurance makes it possible to protect low-income populations and fight poverty. It has a strong social role.

Low-income populations are faced with the same risks as populations that are not poor, but these risks have a much greater financial impact and occur more frequently in their case. Furthermore, the vulnerability of these populations is exacerbated by each new loss, resulting in a vicious circle that is likely to prevent any lasting improvement in their human and economic well-being.

For example, the structural fragility of certain farms in Morocco or Africa can lead some of them to cease operations – even if they are viable – when climate risk impacts the fragile economic balance. Microinsurance makes it possible to avoid risk management after the event, which generally leads to measures dictated by despair that in turn increase the vulnerability of poor households to future risks (for example reduction in expenditure on food or education, etc.).

25 — Mehdi Tazi, CEO, Saham Assurance, Morocco.

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Why does microinsurance still have such low penetration?

The answer to this question is very simple. To make microinsurance work, it is absolutely essential to radically change the paradigm. In fact, quite apart from the difficulty of generating profitability via microinsurance products, access to low-revenue populations can be complex for a number of reasons:

- Ignorance of insurance mechanisms and prejudice against them;
- Complexity of the products on offer for a predominantly illiterate population;
- Volatility of reimbursement claims in the absence of reliable data requiring sound actuarial expertise;
- Necessity of relying on a distribution network that is capable of handling small-value transactions effectively from a convenient access point (rural areas);
- Heterogeneity of potential consumers, making it more difficult to create a mass-market product.

How can we develop microinsurance in our countries?

The obstacles that face insurers seeking to develop and market microinsurance products are therefore numerous and can be intimidating. However, the answer to all these challenges lies in implementing **an adapted business model that is very different from what a traditional insurer usually does.**

Product development
- Develop products that respond to the risks actually faced by low-income households, for example by building on the work done by NGOs and/or public bodies that understand the needs of low-income populations.
- Align the premium payment schedule with the insureds' cash flow.

Distribution
- Set up a partnership or distribute via an aggregator.
- Partnership with NGOs or public bodies (for example Philippine Prudential Life distributes its products via CLIMBS, an association of 2,000 cooperatives with more than a million members).
- Distribution via an aggregator (for example SAHAM Insurance with health insurance trusts).
- Establishment of state-subsidised products as part of public-private partnerships (for example agricultural cover in respect to climate risks).
- Grouping microinsurance products with a partner's products (short-term credit, telecommunications, etc.).

Marketing
- Simplify the range of products and the administrative procedures (supporting documents) to make them accessible.
- Adopt an educational approach.

Claims
- Simplify indemnification procedures to convince the target population of the product's appeal and encourage its development.

Innovation is more than a response to customer demand – it is a business imperative for success in microinsurance.

Geographic isolation, the lack of infrastructure, illiteracy and other factors are, in fact, forcing insurers to develop new tools and combine them with microinsurance products.

In Kenya, for example, UAP Insurance allows farmers to insure their crops by using their mobile phones to photograph the bar code on sacks of fertiliser or seeds and to pay the premium using the "M-Pesa" mobile banking system.

In summary, more than two billion people around the world do not have access to any type of protection, even though they are the ones most exposed to risk. Remedying this situation requires the involvement of a wide range of stakeholders – public authorities, the private sector, local bodies – to significantly increase the penetration of microinsurance in our countries.

Plenary 1

From national schemes to individual protection against climate risks

The G7 meeting in Germany in June 2015 marked a historic moment for advocates of climate change adaptation and microinsurance. It sharpened the focus on the need for the two sectors to work together in the pursuit of a renewed objective: to increase the number of poor people with climate risk insurance by 400 million by the year 2020. At the moment, only an estimated 100 million people in developing countries are covered against climate risk.

The new commitment of leaders of the seven leading economies recognises insurance as an instrument for climate change adaptation. "The climate initiative should work hand in hand with microinsurance; these have been the two streams of Munich Re Foundation since its inception in 2003," said the Foundation's chairman, Thomas Loster. "The G7 initiative will prompt a number of governments to release funds for climate adaptation in conjunction with microinsurance, index insurance, etc.".

The question then is how to protect the additional 400 million people: through direct or indirect insurance? While most microinsurance schemes are geared to the individual, indirect insurance (a government or a local authority buys insurance to protect its inhabitants) appears to be an effective way of reaching scale rapidly.

This plenary presented two multi-country climate risk protection schemes, and had a look at the link between the national and individual levels.

A look back on climate insurance

Climate, which can be observed in the long term, is often confused with weather, which can be seen by looking out the window. Long-term climate trends must be integrated into products and models, but insurance must also propose solutions for weather events that occur today. Looking back on what has been achieved during the last ten to fifteen years, more efficient data systems and more reliable forecasts have become available. It is now possible to anticipate certain extreme weather events and their triggers, such as El Niño. This allows mitigation-measure financing before the actual event occurs.

Many challenges remain, in particular a lack of demand. There is a fundamental cognitive failure problem in the process of buying insurance for protection against infrequent events, as illustrated, for example, by the declining number of herders enrolled in the Index-Based Livestock Insurance programme in Mongolia. The issue of recovery financing remains to be addressed. Financial institutions tend to restrict access to credit after a disaster, which slows down recovery. The Start Network also offers an interesting example of innovation. This network of NGOs pooled resources into a fund to allow quick disbursements in the event of a humanitarian crisis.

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26 — Left to right: Thomas Loster, Chairman, Munich Re Foundation, Germany; Olivier Mahul, Program Manager – Disaster Risk Financing, World Bank Group, Thailand.

The Caribbean Catastrophe Risk Insurance Facility (CCRIF)

CCRIF was established in 2007 as the first multi-country risk pool. It is composed of 16 Caribbean countries and is now expanding into Central America. It offers earthquake, tropical cyclones and excess rainfall policies to Caribbean and Central American governments. Based on parametric insurance, CCRIF is able to make payouts to affected countries within 14 days. By pooling risks, governments can obtain a lower price than when each country buys insurance separately. Since its inception, CCRIF has made 13 payouts to eight member countries for a total of US$ 38 million. Each country pays a premium according to the amount covered and the risk profile. The use of payouts is monitored by CCRIF. The role of donors was fundamental to raising the initial capital for CCRIF.

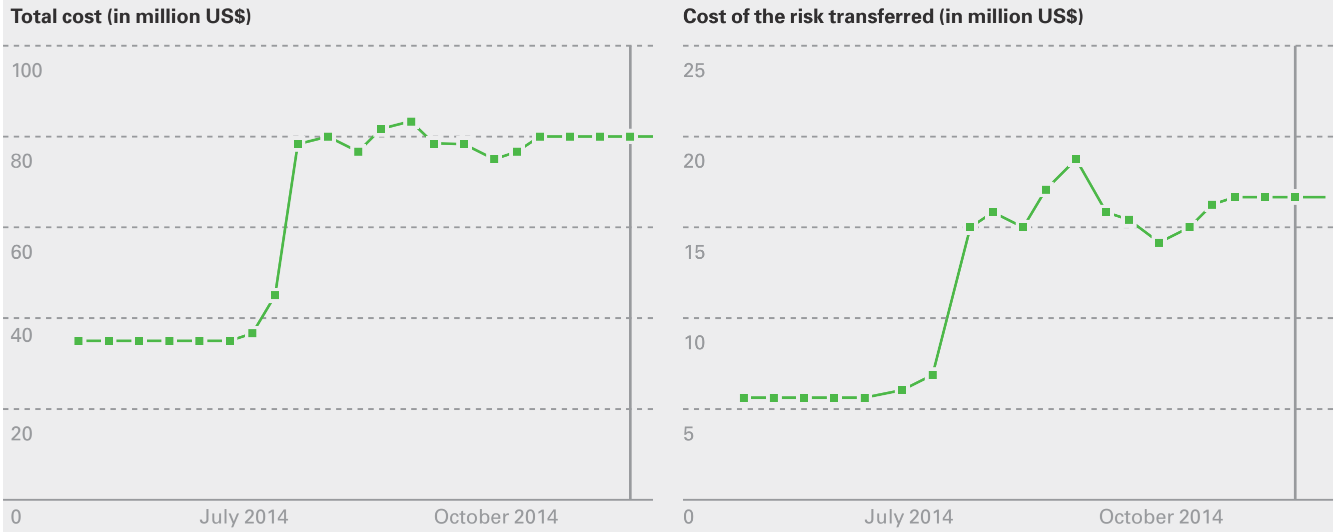
CCRIF's experience is valuable for other actors willing to implement climate insurance. CCRIF collaborated with the Munich Climate Insurance Initiative (MCII) to develop Livelihood Protection Policies for individuals and Loan Portfolio Covers for financial intermediaries. People in St. Lucia, for example, can now buy a policy covering wind or rain losses for little money. Another policy developed aims at helping financial institutions disburse credits for agriculture.

The African Risk Capacity

Inspired by the CCRIF experience, the African Union decided to set up a specialised agency and created the African Risk Capacity (ARC) in 2013. The objective of the member countries was to move from a culture of crisis management to one of risk management. ARC provides a variety of tools to meet this objective: early-warning systems, contingency planning, insurance and climate change adaptation financing. ARC Insurance Company Ltd is the financial affiliate of ARC in charge of risk pooling and transfer. It currently offers a cover against drought, and more covers are under development for the risks of floods, hurricanes and even Ebola epidemics. Four African countries bought insurance in 2014 and five more joined in 2015. ARC takes advantage of the natural diversification of weather risk across Africa to manage risk in a financially efficient manner.

The countries buying insurance must also present a contingency plan explaining how the money will be spent in the case of a payout. In 2014, Senegal received a US$ 16.5 m payment which was used to buy animal feed and distribute rice to affected populations (see Figure 3).

Figure 3
Results 1st year of cover in 2014
Estimate of the costs of the response by African Risk View (ARV)



ARC payment: US$ 16.5 m
— 65% for distribution of rice supplies
— 35% for subsidised sale of animal feed

Source: Diop, Massamba. Presentation "Pan-African mutual risk management. An introduction to the concept of ARC: the experience of Senegal". 11th International Microinsurance Conference 2015.

Plenary 1
From national schemes to individual protection against climate risks

The G7 countries actively support ARC by subsidising premiums paid by member countries: 75 % of the premium in the first year, 50 % in the second year.

Leveraging knowledge

There are opportunities for leveraging the knowledge acquired from the CCRIF and ARC schemes, especially as the Pacific Alliance has decided to set up its own multi-country risk pool. It is important to remember that insurance is not a silver bullet and that it should be part of a broader strategy. Insurance is sometimes expensive and therefore cannot cover all kinds of risks. It is important to use other financial tools such as domestic reserves, contingency funding or a fiscal risk management framework. Disbursement must be timely to be efficient, and procurement procedures must be adapted to emergency contexts. Furthermore, social safety nets can be harnessed to channel funds efficiently to ensure that they reach the poorest.

The G7 goal to protect an additional 400 million people is very ambitious and will only be met with the involvement of the private sector. Public-private partnerships must be reinforced in terms of expertise, experience and reinsurance capacity. Time is running out; efforts must be bundled to reach the goal by 2020.

Lessons learnt

— Insurance can be effective but it is only one tool among others to be used within a broader risk management strategy.

— Insurance serves resource mobilisation after a disaster, but previous contingency plans are essential for proper use of the payout.

— Multi-country risk pools allow cost-efficient risk transfer and may be an important tool for climate change adaptation.

— Social safety nets link the macro and micro levels, as they can be used to channel funds and target beneficiaries.

— Public-private partnerships are the most relevant institutional model for reaching scale rapidly. Efforts and long-term commitments are required on both sides.

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27 — Left to right: Jerry Skees, H.B. Price Professor, University of Kentucky / GlobalAgRisk, United States; Massamba Diop, National Administrator ARC, Government of Senegal, Senegal; Isaac Anthony, CEO, CCRIF SPC, Cayman Islands.

Agenda

Day 2 morning sessions
4 November 2015

Plenary 2

The landscape of microinsurance in Africa

Eneida del Hierro
Chargée de projets – Inclusion financière, Agence Française de Développement, France

Jean Claude Ngbwa
Secretary General, CIMA, Gabon

Freedom Nkululeko Buthelezi
Head of Department, Hollard Insurance, South Africa

David Ashiagbor
Making Finance Work for Africa, Ivory Coast

Frederic Flejou
CEO New Markets Development, AXA MedLA, Spain

Facilitator
Michael J. McCord
President, MicroInsurance Centre, United States

Parallel session 1

The state of microinsurance in Morocco
Hosted by the Centre Mohammed VI de Soutien à la Microfinance Solidaire and the FMSAR

Introduction: The potential for microinsurance development in Morocco

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

Panellists

Mohamed Allouch
Directeur Général Foundation, ATTAWFIQ, Morocco

Youssef Benchekroun
Directeur Général Association, AL AMANA, Morocco

Driss Bennani
Directeur Général Délégué, AL BARAKA, Morocco

Abdellah Hamza
Directeur Général, Maroc Assistance Internationale, Morocco

Saadia Nouri
Directeur Général Association, AXA Maroc, Morocco

Yahia Chraïbi
Directeur Général, Saham Assistance, Morocco

Facilitator
Mohamed el Mazouri
Délégue général, FNAM Morocco

Parallel session 2

Knowing whether it works: performance measurement

Customer impact

Craig Churchill
Chief of ILO, Switzerland

The state of mass health insurance programmes: five scheme performances compared

Denis Garand
President, Denis Garand and Associates, Canada

Benchmarking

Matthew Genazzini
Programme Manager, ADA, Luxembourg

Facilitator
Brandon Mathews
Managing Director, Stonestep, Switzerland

Parallel session 3

Academic research 1

Contract non-performance risk and ambiguity in insurance markets

Andreas Landmann
University of Mannheim, Germany

Solvability, liquidity and the demand for health insurance: evidence from financial and health diaries in Nigeria

Wendy Janssens
Associate Professor, VU University Amsterdam, Netherlands

Intra-household health insurance allocations: no adverse selection after all?

Berber Kramer
Associate Research Fellow, IFPRI, United States

Facilitator
Glenn Harrison
C.V. Starr Chair, Robinson College of Business, CEAR/GSU, United States

Parallel session 4

Scaling up agricultural microinsurance

How to scale up agricultural insurance – Lessons learnt from nine countries

Agrotosh Mookerjee
Agriculture Insurance Consultant, IFC, United Kingdom

Yield index insurance in Africa

Alexa Mayer-Bosse
Business Development Manager, Munich Re, Germany

Facilitator
Peter Wrede
Senior Insurance Specialist, World Bank Group, United States

Plenary 2

The landscape of microinsurance in Africa

This plenary set the scene and described the status of micro-insurance in Africa and featured the preliminary findings of a study followed by a panel discussion.

The Microinsurance Centre first presented highlights of The Landscape of Microinsurance in Africa, a study undertaken as a part of the Microinsurance Network's World Map of Microinsurance. It involved a survey of 450 insurance companies and mutuals in Africa, using a common definition of microinsurance including three essential aspects:

— The products are specifically designed for low-income markets;
— The providers of these products are risk carriers (government-funded social protection programmes are not taken into consideration);
— The products are affordable.

The results of the survey showed that between 2011 and 2014, there was a 1 % increase of insured people in the total population. The total premium amounted to US$ 647 m, approximately 1 % of the worldwide premium volume (see Figure 4).

Figure 4
Key results

	2011	2014	
Identified lives covered	44.4 m (4.4 %)	61.9 m (5.4 %)	**30 %** overall comparable increase in lives covered for the 3-year period
Premiums (2014 US$)	387 m	647 m	**31 %** comparable growth in premiums

Over 200 providers reported microinsurance activities from 36 countries in the African region

Source: McCord, Michael J. Presentation "Landscape of Microinsurance in Africa – 2014". 11th International Microinsurance Conference 2015.

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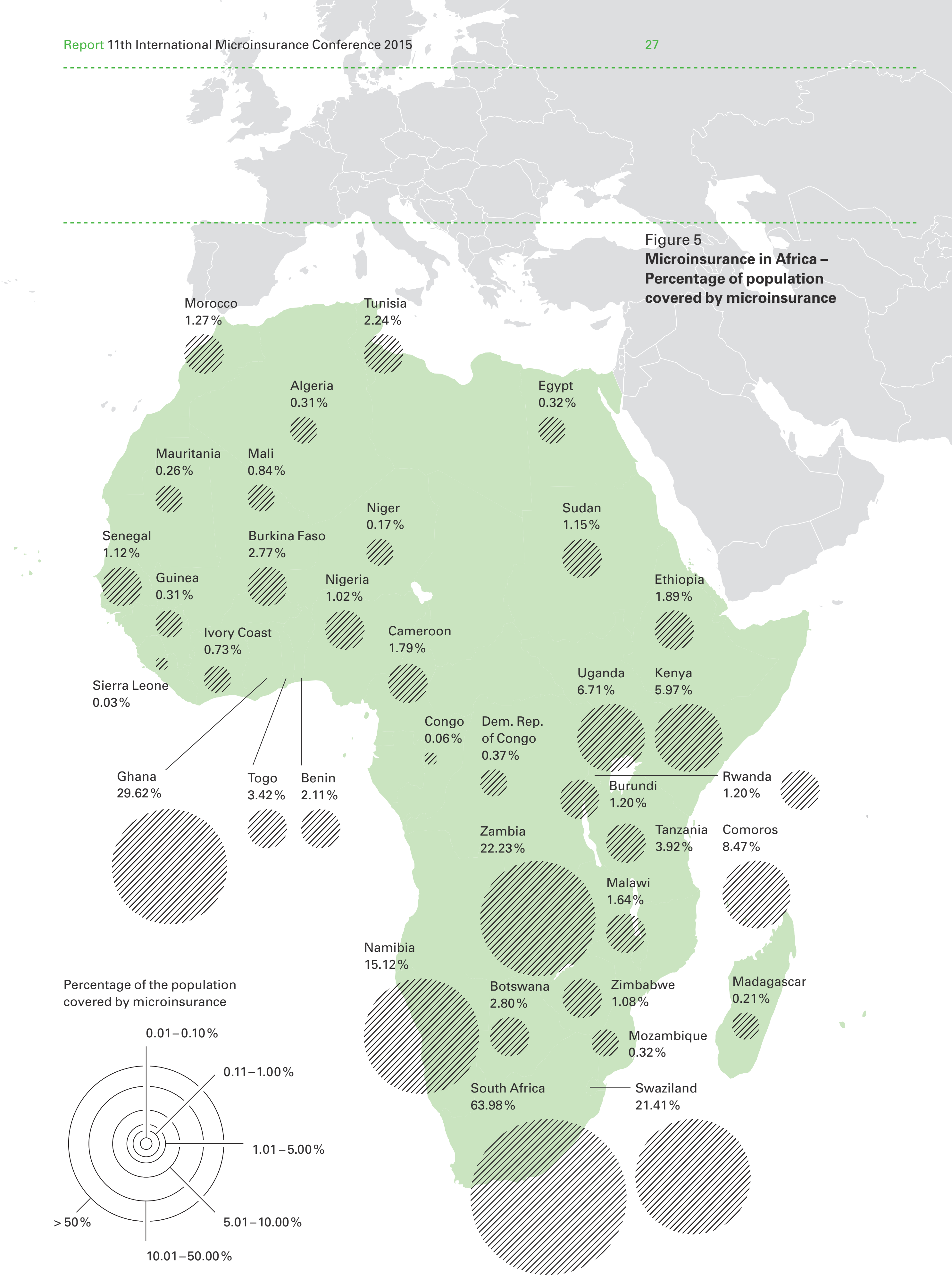
28 — Left to right: Freedom Nkululeko Buthelezi, Head of Department, Hollard Insurance, South Africa; Frederic Flejou, CEO New Markets Development, AXA MedLA, Spain; David Ashiagbor, Making Finance Work for Africa, Ivory Coast.

Figure 5
Microinsurance in Africa – Percentage of population covered by microinsurance



More information

www.microinsurancelandscape.org

www.worldmapofmicroinsurance.org

Plenary 2
The landscape of
microinsurance in Africa

Another aspect of development found was the increased product diversity, though life continues to be the primary product in the market (see Figure 6). Across the board there was a broadening of bundles and expansion of property, agricultural and health lines, the last driven mainly by mobile network operators (MNOs) offering hospital cash and hospitalisation covers. In three years, 96 new products were launched while 45 were discontinued or altered for the mass market.

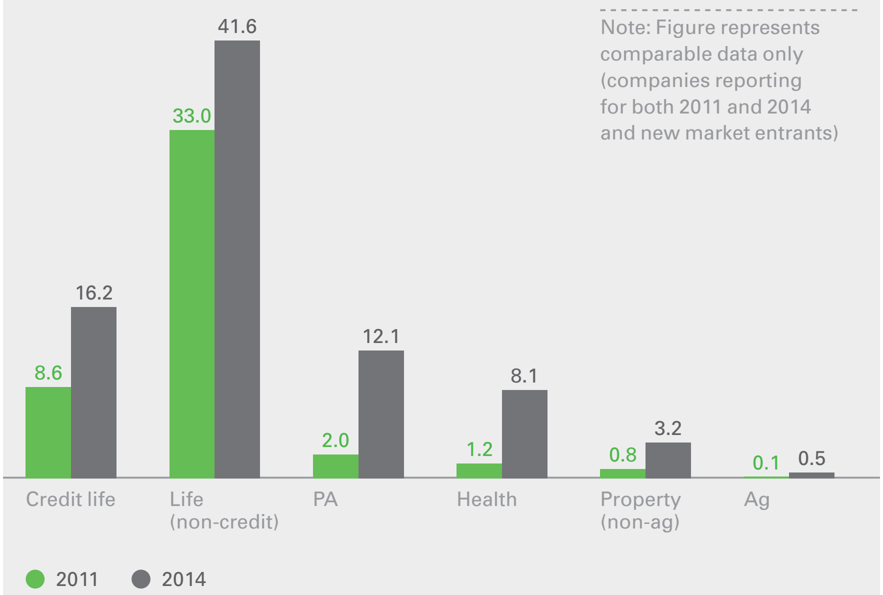
Development was stronger in the southern part of the continent than in the north, which remains sparse. Morocco has seen a 1,700 percent growth, but the numbers are small (see Figure 7).

The split of distribution channels used for microinsurance in Africa shows the share of mass market channels such as MNOs, retailers and funeral parlours at 45 % (see Figure 8). However, the power of intermediaries is reflected in the cases of countries such as Namibia, Tanzania and Zimbabwe, which saw declines in outreach caused mainly by changes in distribution arrangements with a large intermediary.

The median commission is 10 %, driven down by mutuals where there is no commission, and up by mass distribution where the commission is above average. The weighted average is, therefore, higher at around 17 %.

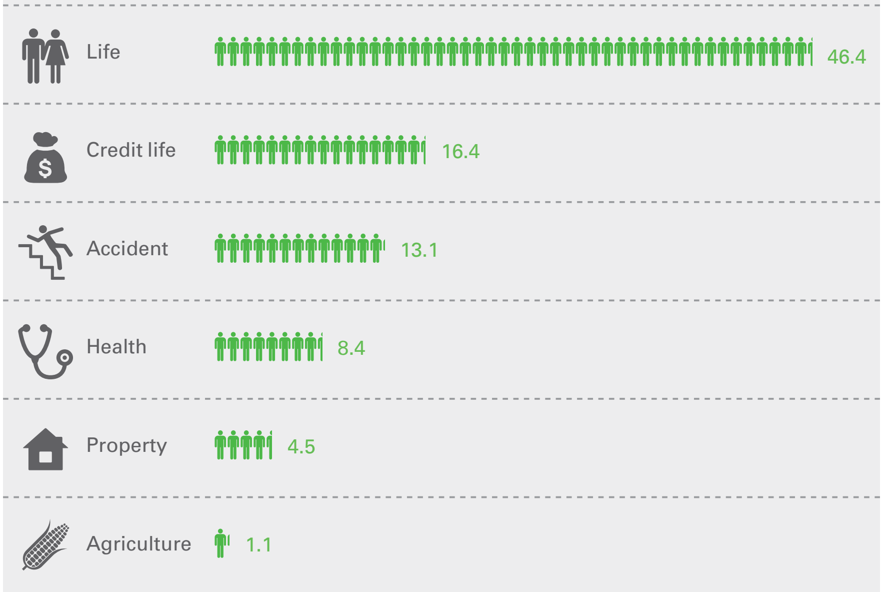
With regards to profitability, around 50 % of the programmes have combined ratios lower than 55 %, indicating that their pricing levels could offer better value to customers. Some 70 % have a combined ratio below 100 %, meaning that 30 % of schemes are making an underwriting loss.

Figure 6
Growth by type of product
(millions of lives covered)



Source: McCord, Michael J. Presentation "Landscape of Microinsurance in Africa – 2014". 11th International Microinsurance Conference 2015.

Figure 7
Coverage by product type (millions of lives covered)



Source: McCord, Michael J. Presentation "Landscape of Microinsurance in Africa – 2014". 11th International Microinsurance Conference 2015.

MNOs, which drive the development of microinsurance, particularly in Ghana and Zambia, have emerged as a channel of choice, but although they represent 13% of identified lives covered, they represent only 1% of the premium.

According to the study, the reasons why many risk carriers have not tackled the microinsurance market yet are numerous, the most important being the lack of distribution channels. In addition to addressing this, two steps are identified as key to increasing the attractiveness of the microinsurance sector in the future: market education and market demand studies.

Regulation: notable issues

The role of regulation in market development was a topic of major interest in the discussion by the panel of six.

La Conférence Interafricaine des Marchés d'Assurances (CIMA), a regional regulator for insurance across 14 countries in Western Africa, is making efforts to bring back consumer trust in insurance companies through stricter regulations – for example a mandatory ten-day period for claim payment. For CIMA, the biggest challenge in the region is to find a good balance between creating attractive and fair conditions for insurers and protecting consumer interest. Consumer protection and ensuring that the market is solvent are important, but there should be an element of flexibility in regulation to create an enabling environment. To develop the sector, says CIMA, it is easier for the time being to extend the licence of an insurer to include microinsurance rather than provide a microinsurance licence to an MFI.

According to the French Agency for Development (AFD), consolidation is key in the CIMA zone. There are 170 insurance companies in this zone that have the same volume of premium as 15 insurance companies in Morocco. The regulators must reinforce their staff in the field (within the Directions Nationales des Assurances) and tools (MIS) to streamline their monitoring efforts; there are currently only 15 effective controllers supervising this large number of insurers. AFD can provide financial support with a variety of tools (from grants to equity, pass-through loans and guarantees) to develop microinsurance at the micro, meso and macro levels.

AXA, a multinational insurer, is partnering with the World Bank to address distribution issues in the region. AXA is investing strongly in the sector with a broad range of approaches. Following its decision to regard microinsurance as a corporate social responsibility, it has developed operational strategies of its own in addition to becoming a major shareholder of MicroEnsure. AXA believes that reducing administrative costs is a must for making all the processes adequately agile and efficient for microinsurance. However, it notes that excessively stringent regulatory requirements and deadlines for claims payment could discourage mainstream insurers from entering the market.

Hollard Insurance, pursuing alternative distribution channels, is trying to innovate in microinsurance and increase clients' trust through a simple and efficient life cycle of the product from marketing to claims handling. To support this process, it uses integrated distribution channels including telemarketing, branch offices, agencies and partnerships.

Making Finance Work for Africa has been coordinating the interests and approaches of all the stakeholders in financial services and bringing people together to achieve results. It has identified several so-called deficits, in particular a gap between market studies that serve the donors and those needed locally to develop microinsurance, and a gap between consumer awareness and product availability.

29 — Jean Claude Ngbwa, Secretary General, CIMA, Gabon.

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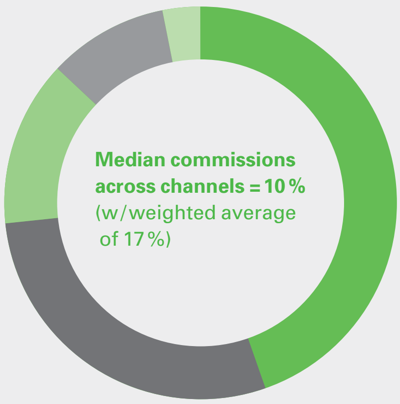
Figure 8
Lives covered by distribution channel



Mass	45%
Agents/brokers	28%
MFIs	14%
Financial institutions	10%
Member organisations	3%

Source: McCord, Michael J. Presentation "Landscape of Microinsurance in Africa – 2014". 11th International Microinsurance Conference 2015.

Plenary 2
The landscape of
microinsurance in Africa

The discussion led to recommendations for a number of notable steps to address the issues:

- Regulators could support the development of microinsurance by relaxing some requirements. Wet signatures on contracts, for example, are a driver of high distribution costs, while the prescription of local presence as a condition prohibits cross-border processes and synergies for insurance companies.
- A step towards regulatory integration in the southern part of the continent would be helpful.
- Controlling the level of claims ratios is another approach that should be performed systematically, including outcome-based regulation, where a required outcome or level of performance is written into regulation. The reputation of insurers in Africa has been bad because of non-payment of claims. In addition to this, if claims ratios are too low, it is an indicator of ineffectual microinsurance products.
- Digitalisation is a key driver of lower distribution costs and more efficient controls by the regulators. Data consolidation linking claims experience and pricing across the industry also helps insurers, but it is hard to come by in Africa.
- Large insurance companies are starting to recognise microinsurance as a new market, and this interest might spread to other large players.

Lessons learnt

- The microinsurance market in Africa is evolving, with health, property and agricultural covers growing at a faster pace than life.
- Mass-market channels account for an increasing share of distribution, approaching half the outreach.
- Regulators must find the right balance between creating attractive markets for insurance companies to enter and building trust among vulnerable population sectors by setting up good control frameworks. Cross-border regulatory consolidation and integration are also needed.
- Minimum capital requirements for microinsurance and data collection for claims and pricing remain issues with limited answers thus far.
- Low claim ratios throughout the region – in the average range of 20–30% – indicate that there is an opportunity for current microinsurance products to offer better value for clients.

30 — Michael J. McCord, Chairman, Microinsurance Network and President, MicroInsurance Centre, United States.

31 — Eneida del Hierro, Chargée de projets – Inclusion financière, Agence Française de Développement, France.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Parallel session 1

The state of microinsurance in Morocco

In this session the status quo and experiences of microinsurance in Morocco were discussed by experts from Attawfiq (the microfinance foundation of Banque Populaire), Al Amana (a leading microcredit association), Al Baraka (a micro-finance bank), AXA, Maroc Assistance Internationale and Saham Assistance.

As a basis for the review of specific products and mechanisms, ILO's Impact Insurance Facility gave an introduction on the potential of microinsurance in Morocco.

Morocco's insurance penetration of 2.9 % ranks 49th in the world and 2nd in the Middle East and North Africa (MENA) region. Approximately 900,000 microinsurance clients are reached exclusively via NGOs.

Some 55 % of the NGO beneficiaries and 80 % of the staff are women.

Morocco is a traditional insurance market. With a share of 40 %, it is the leading market in the MENA region in terms of premium. The distribution network is stable and the insurance sector is technically developed. However, the microinsurance penetration remains low at 0.06 %, covering 12,000 lives and properties.

Links with microcredit

Microinsurance is strongly linked to microcredit distribution, as AMCs (Associations de Micro Crédit – micro credit associations) have tried to diversify their product range with insurance, in particular health, over the last 15 years.

Collaboration between risk carriers and microcredit associations is deeply rooted. The first stand-alone products are beginning to appear, but no alternative distribution channels are yet in place. Morocco has yet to follow other African countries in using technology for distribution via MNOs. Generally, the low-income segment trusts in insurance, but the preventative culture is not strongly developed.

The use of new distribution channels and service centres and the integration of IT to reduce costs were some of the recommendations put forward by an diagnostic study (see Figure 9).

The second part of the session took a look at some microinsurance products, beginning with the Al Amana assistance scheme. A survey on the perception of risk among the population was taken as the basis for this product. Al Amana was able to identify client needs as it is close to the rural poor population.

Top three risks

The survey revealed that 93.5 % consider their own sickness or death as being their highest risk. The second highest risk is death or sickness of a family member. Risks linked to the loss of property were named less frequently. In general, the perception of insurance is positive. Trust is a key aspect and individuals therefore prefer to purchase insurance from their microfinance association.

However, 69 % do not purchase insurance because of the costs. The psychological threshold cost of insurance is perceived at around MAD 300 (US$ 29.52) per year.

The health product developed provides support on an immediate basis by paying money directly to the hospital.

Al Amana Assistance

Number of contracts
59 villages between 2006 – 2014

Insured risks
Hospital cash and reimbursement of hospital transfer costs (up to MAD 5,000 – US$ 465 per year), assistance in case of death such as coverage of administrative procedures and funeral costs (up to MAD 3,000 – US$ 279).

Premium range
MAD 100 (US$ 9.80)

This product is well accepted, but as it is linked to a loan, the policy period ends when the loan is paid back. The challenge is to extend the product beyond credit contracts to increase impact and reach the poor population with more sustainable and long-term solutions.

Maroc Assistance Internationale has another assistance product for people who have a loan from the Attawfiq microfinance institution and are younger than 70 years. It, too, links the policy period to a loan. The product includes:

— Medical transport
— Medical advice (24/7)
— A share of the medical costs and birth costs between MAD 500 and 5,000 depending on the length of the hospital stay and illness.

Figure 9
Study recommendations

Source: Solana, Miguel. Presentation "Le potential pour le développement de la micro-assurance au Maroc". 11th International Microinsurance Conference 2015.

Parallel session 1
The state of microinsurance in Morocco

Injad Attawfiq Assistance

Number of people insured
Not available

Insured risks
Health assistance (24/7), personal accident and death, "birth cash"

Premium range
MAD 98 (US$ 9.11) to 110 (US$ 10.23) per annum

AXA has launched a microinsurance product in cooperation with the microcredit association AL Baraka, for micro-entrepreneurs. It has two lines:

— Personal care insurance, including credit insurance, healthcare insurance and retirement, and
— Property coverage, composed of three main components: fire and flood, home-owner and professional risk.

A lot of effort was put into cooperation with Al Baraka and in training its microcredit agencies. The aim of the product design was to ensure simplicity. Guidance manuals were provided to the agencies (see Figure 10).

IAXA Al Baraka Insurance

Number of people insured
61,000 (130,000 planned by end of 2015)

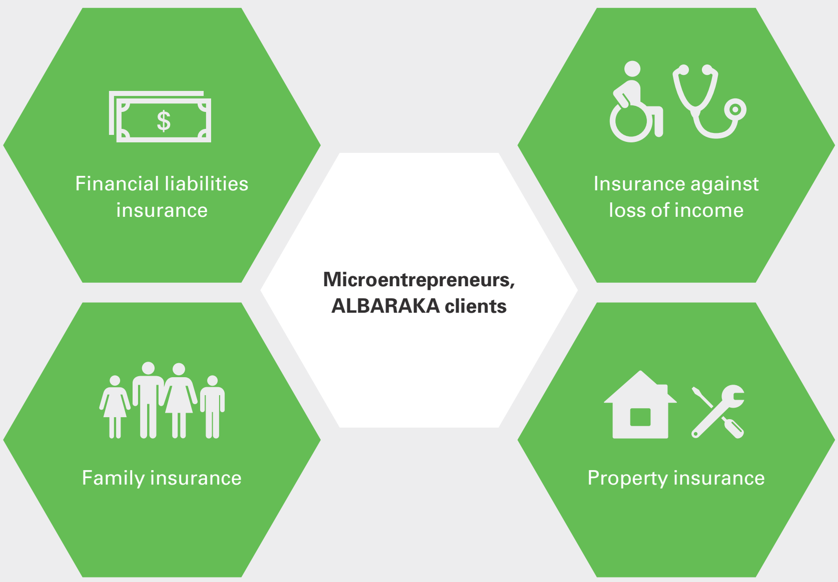
Number of contracts
103,000 (220,000 planned by end of 2015)

Insured risks
Retirement, funeral costs, hospital cash and property damage

Premium range
Not disclosed separately, part of the microcredit interest rate

The panel agreed that the major challenge in Morocco for stakeholders is to find a way of distributing microinsurance beyond the world of microcredit. The first step would be to try to sell microinsurance on a stand-alone basis to clients who are not, or no longer, microcredit clients. Another challenge is to provide better service to the client and follow up after a claim, as 50 % of patients live more than 100 km away from their health-care centre. This would ensure improved services and increase the acceptance of microinsurance.

Figure 10
Key success factors



Source: Nouri, Saadia. Presentation "Micro Assurance – Solutions AXA Assurance Maroc – Al Baraka". 11th International Microinsurance Conference 2015.

Lessons learnt

— The insurance sector in Morocco is well developed and actuarial skills are available locally.
— Microinsurance in Morocco is exclusively distributed via well-established microcredit associations (AMC).
— Microinsurance products are linked to the loan life cycle.
— Product and distribution diversification are key for further development of microinsurance.
— People who participate in a microcredit scheme represent only a small percentage of the people who actually need microinsurance.

Parallel session 2

Knowing whether it works: performance measurement

While policymakers and researchers are predominantly interested in comparing insured outcomes with non-insured outcomes, efficiency considerations must be given more attention when measuring performance. The Microinsurance Network has identified key financial and social performance indicators that have been available since 2012. This session recaps the results of an evaluation of the performances and metrics, customer impact and benchmarking of five health insurers.

The objective of the study was to review the performance evaluation measures for state-supported health insurance schemes in Ghana, Rwanda, India, Thailand and Indonesia, and propose a framework for dealing with gaps in the metrics. The five schemes use a variety of indicators, most of which are prescribed by law, but generally have insufficient or inadequate capacities for effective monitoring and evaluation. They depend on external sources for outcome and impact data – with mixed results.

The World Health Organisation (WHO) and the World Bank have developed a comprehensive evaluation framework which, according to the study, should be a component of each country's regular system. Measuring a full spectrum of health interventions, the framework monitors tracer indicators with targets such as outreach and out-of-pocket expenditure. However, as the study points out, the framework focuses exclusively on outcomes and not on efficiency. As most of the programmes rely on subsidies, it is important to know whether or not the funds are employed efficiently. To show the impact of efficiency, the study compared the scheme in Sri Lanka with the scheme in Bangladesh, and the scheme in Japan with the US scheme. While Japan spends 10.1 % of its GDP on healthcare and the USA 17.9 %, life expectancy and mortality rates are better for Japan than for the USA. Along the same lines, the Sri Lanka scheme proved more efficient than the Bangladesh scheme (see Figures 11 and 12).

Figure 11
Total health expenditure: Importance of efficiency

Japan
10.1 % of GDP total health expenditure

USA
17.9 % of GDP total health expenditure

Japan	
Public expenditure	82 %
Private expenditure	18 %
including OOP	14 %

USA	
Public expenditure	46 %
Private expenditure	54 %
including OOP	11 %

Japan: Life expectancy: 83.4
Under 5 mortality rate: 3
Maternal mortality rate: 6

USA: Life expectancy: 78.8
Under 5 mortality rate: 7
Maternal mortality rate: 28

Source: Garand, Denis. Presentation "Performance evaluation framework for government-sponsored health insurance programmes". 11th International Microinsurance Conference 2015.

Figure 12
Total health expenditure: Importance of efficiency

Sri Lanka
3.2 % of GDP total health expenditure

Bangladesh
3.6 % of GDP total health expenditure

Sri Lanka	
Public expenditure	42 %
including external resources	2 %
Private expenditure	58 %
including OOP	48 %

Bangladesh	
Public expenditure	34 %
including external resources	7 %
Private expenditure	66 %
including OOP	63 %

Sri Lanka: Life expectancy: 74.1
Under 5 mortality rate: 10
Maternal mortality rate: 29

Bangladesh: Life expectancy: 70.3
Under 5 mortality rate: 41
Maternal mortality rate: 170

Source: Garand, Denis. Presentation "Performance evaluation framework for government-sponsored health insurance programmes". 11th International Microinsurance Conference 2015.

Parallel session 2
Knowing whether it works: performance measurement

Adding the concept of efficiency, the framework suggests a set of four indicators for further review of preliminary performance: long-term effectiveness, product value for the insured, client satisfaction and service quality.

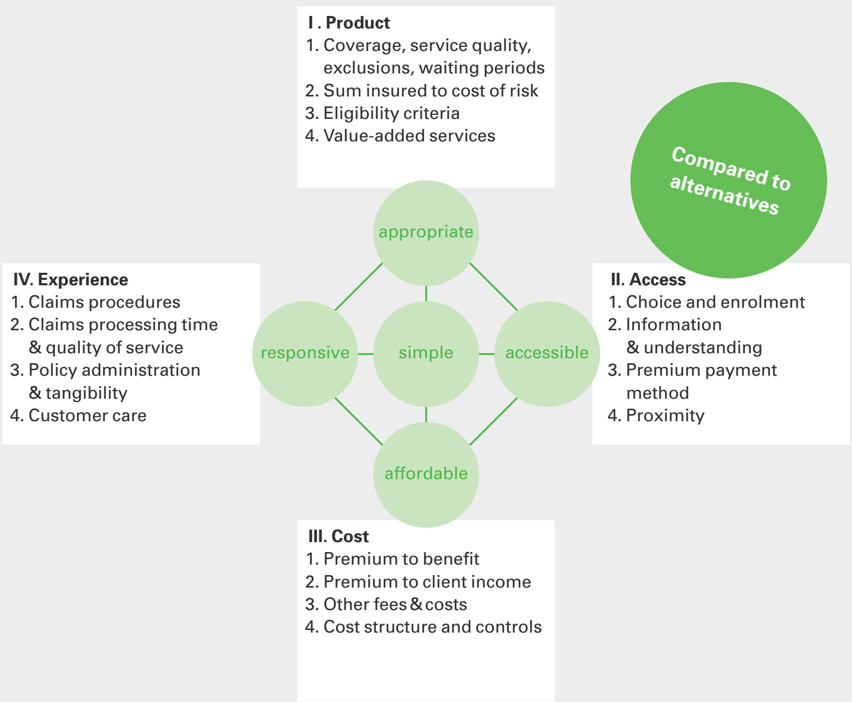
Comparing cost-benefit ratios

A good way of "knowing whether it works" is finding out whether or not the microinsurance scheme is creating customer value. From the client perspective, the cost-benefit ratio of a formal insurance product must be compared with that of the informal options available to low-income customers, including self-insurance and other risk management strategies. Only if this comparison is favourable will individuals opt for formal insurance. And they will keep it, as long as they remain convinced of its value – and understand it to be an integral part of their own household's risk management plan, with formal insurance starting where informal protection fails.

Customer benefit can be shown by an outcomes-and-impact analysis. This "proving" process is of particular interest to donors. There is a growing body of evidence from rigorous academic research showing that insured households are able to manage risks more effectively than uninsured households.

Insurers, however, care about "improving" their products and processes. A viable business model calls for an ongoing increase in revenues and in the intangible and indirect benefits of scale, plus continuous control over claims costs and operating expenses. Conscientious market research to adapt products to the changing needs of potential clients leads to a client-focused culture. Moreover, adapting products consistently ties clients to the product – though impact is reached over a longer time period.

Figure 13
Improving with PACE



Source: Churchill, Craig. Presentation "Customer Impact". 11th International Microinsurance Conference 2015.

Improving over time

A number of established microinsurers have demonstrated that valuable solutions develop through gradual improvements. The process of improving over time and measuring performance is systematised in the PACE analysis, which evaluates an insurer's performance as customers see it in terms of Product, Access, Cost and Experience (see Figure 13).

A case in point is a programme introduced by Pioneer Life in the Philippines. A microinsurance product was initially marketed in combination with seminars on financial literacy, but response fell short of expectations. A number of approaches over the period of one year produced only a marginal improvement. Then, analysing purchasing behaviour in customer feedback surveys, the company discovered that the influence of a priest or community coordinator had been the deciding factor in the purchase decision. Pioneer Life revamped the marketing events, enhancing the coordinators' role in the process and doubling the participation rates in 18 months. What worked was adapting marketing strategies and product characteristics to insights and experiences gained in the process of distribution.

While efficiency assessment in performance evaluation as well as measuring and producing client value are important, a key question is how to derive optimal values of key performance indicators. The answer lies in the methodology of benchmarking.

Benchmarking is essentially the process of identifying, understanding and comparing practices from one company / market to help another improve their performance. When done appropriately, it can become a very powerful tool for improving performance.

The two main challenges of benchmarking are:

1. The high cost of collecting data: without subsidies or grants the costs will fall onto the client, which will have a detrimental effect on client value and also on the product sustainability.
2. The availability of data: institutions are understandably sometimes reluctant to share their data, as there are a number of dangers involved.

In microinsurance, it is only recently that benchmarking has been possible, thanks to the data collected in the landscape studies.

Focusing on relevant indicators

The most relevant performance indicators identified for benchmarking are claim ratios, administrative expense ratios, commission ratios and combined ratios.

The preliminary results of the analysis of the African and Latin American microinsurance markets shows that customer value reflected in claims ratios is highest in health insurance and lowest in personal accident. The range of administrative expense ratios is wide, with the highest spread in African credit life and property insurance markets. Commission ratios are generally higher in the Latin American market, which reflects the power of the intermediaries.

In terms of the combined ratios, the good news is that the median for all products in both regions is below 100 %, meaning that the average product is sustainable. However, there remain some worrying signs in that there are still some products that have a combined ratio of over 200 %.

While this represents a big step in the development of the microinsurance sector, much work is still to be done for data collection and analysis. A deeper understanding of the sector will facilitate the definition of standards and improve the possibility of practitioners learning from one another.

Lessons learnt

— Measuring the performance of state-supported health insurance schemes must take the efficiency of the schemes into consideration.

— Client value from microinsurance products is produced over time and is subject to a trial-and-error process from the insurer's perspective.

— Analysing impact is a way of proving whether or not an insurance scheme has outcome effects. PACE analysis is a tool to improve products and thus has greater relevance for insurers.

— Benchmarking supplies the objective standards against which key performance indicators can be compared to gauge how well the business is doing.

32 — Matthew Genazzini, Programme Manager, ADA, Luxembourg.

33 — Left to right: Craig Churchill, Chief of ILO's Impact Insurance Facility, Switzerland; Denis Garand, President, Denis Garand and Associates, Canada; Brandon Mathews, Managing Director, Stonestep, Switzerland.

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Parallel session 3

Academic research 1

This session presented the frameworks and results of three academic research projects. All three projects were conducted in the neoclassical economics tradition, drawing on field research to situate cutting-edge theoretical questions in actually existing insurance markets. They moreover all placed an emphasis on understanding the decision-making process of potential insurance customers. Two of the projects focused on healthcare insurance, while the third examined the broader question of insufficient information in insurance markets.

Contract non-performance risk and ambiguity

While insurance policies are designed to protect against economic losses, there are many cases where policies fail to perform, such as insurer insolvency, payment delays and fraud. These situations lead to contract non-performance risk, which is particularly relevant in emerging and poorly regulated markets. Previous research has modelled contract non-performance risk by assigning known probabilities to it. However, research on contract non-performance risk has not been performed for risks of unknown probabilities, i.e. ambiguous risks. This research tested the impact of ambiguous contract non-performance risk, and the interaction between a contract non-performance risk of known probability and ambiguous shock probabilities.

The research was conducted in a field-lab setting in 42 rural villages in the central Philippines, an emerging insurance market. Participants were selected in two-stage sampling, where villages were randomly drawn from two provinces, and representatives from random households were invited to participate. In total, 166 experimental sessions were conducted: four sessions in each village, with the participation of 996 people, six people per session.

Subsequent to a pre-experimental survey of risk/ambiguity preferences, the experiment was explained and the experiment game played six times. The key results of the experiment were as follows:

— Contract non-performance risk reduces insurance demand.
— Ambiguity about contract non-performance probabilities reduces insurance demand even further.
— Ambiguity-averse subjects react more strongly to the presence of ambiguity.

The researchers concluded that contract non-performance risk and ambiguity may play a significant role for demand in emerging insurance markets. This means that it is important to build a regulatory environment that ensures low levels of contract non-performance and limits ambiguity by increasing market trust and transparency.

Wealthy, healthy and insured? Evidence of cash constraints from Nigeria

People who are wealthier are healthier, and more often covered by health insurance, while the poor spend a considerable share of their household budgets on health, buying more over-the-counter medication, and receiving less prevention and treatment in clinics. This research investigates the low utilisation of formal care and whether it can be explained by cash constraints. And if so, can health insurance help alleviate cash constraints?

34 — Andreas Landmann, Postdoctoral researcher, University of Mannheim, Germany.

35 — Berber Kramer, Associate Research Fellow, IFPRI, United States.

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The research was based on financial and health diaries data collected from a random sample of 120 households in rural parts of Kwara State, Nigeria. At the baseline, half were covered by health insurance. All financially active adult household members (309 individuals) were interviewed each week for a year. The financial diaries recorded all their financial transactions in the previous seven days, while the weekly health diaries recorded health symptoms, consultations and the health expenditures of all household members (829 individuals).

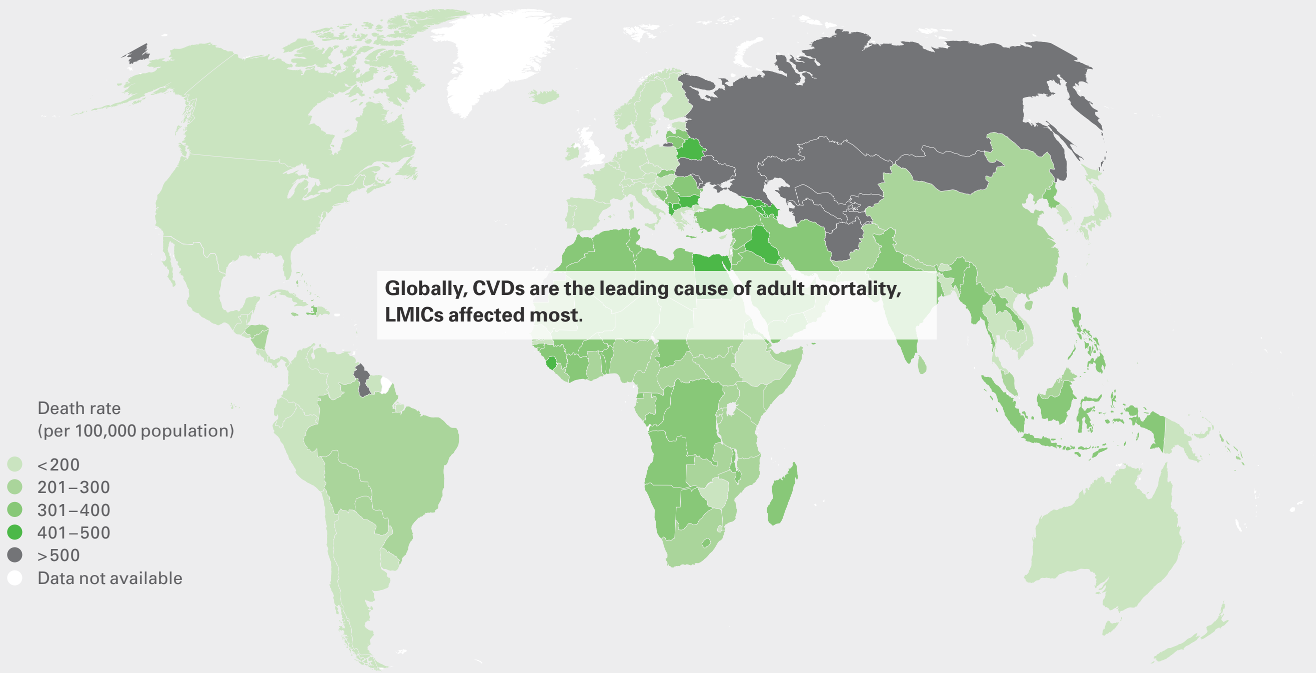
In Kwara State there are strong wealth-health linkages. Subsidised voluntary health insurance has been offered by the Hygeia Community Health Care (HCHC) programme since 2007. Despite high initial levels of first-time uptake, renewal rates are low. During the study period, only 33.6% of previously insured individuals renewed the coverage, and 7.7% of never-insured individuals enrolled in it.

The empirical analysis shows a significant link between cash-on-hand and healthcare utilisation. Short-term cash constraints are a significant barrier for the poor in seeking formal healthcare. Access to health insurance shields poor households from the negative consequences of low cash-on-hand. However, low perceived quality of care (waiting times, staff attitudes, drug stockouts) is a more significant barrier to insurance renewal than cash constraints. The researchers recommend that the health providers included in the insurance scheme improve the perceived quality of the care to avoid drop-outs from insurance. To enhance healthcare utilisation during cash-constrained times, credit and savings services could be added to complement insurance.

From awareness to adverse selection? Cardiovascular disease risk factors

Across the world, cardiovascular diseases (CVDs) are the leading cause of adult mortality (see Figure 14), with low- and middle-income countries (LMICs) being affected most strongly.

Figure 14
Cardiovascular diseases as leading cause of adult mortality
Age-standardised death rate per 100,000 population, both sexes, 2012



Source: Kramer, Berber. Presentation "From awareness to adverse selection? Cardiovascular disease risk factors and health insurance decisions". 11th International Microinsurance Conference 2015; WHO 2014.

Parallel session 3
Academic research 1

Health insurance can improve access to cost-effective treatment. But is the expansion of health insurance a sustainable solution, given that many schemes in LMICs rely on public-private partnerships? Factors which tend to undermine affordable insurance include adverse selection on CVD risk factors, and providers discouraging enrolment of high-risk types. To this end, the researchers investigated how CVD risk factors affect health insurance decisions. That is, they examined the extent to which CVD risk predicts enrolment, and how households consider CVD risk in insurance decisions.

The research was conducted in two towns in central Kwara State, where the Hygeia Community Health Care (HCHC) programme was launched in 2009. The health insurance programme covers care in upgraded partner facilities with comprehensive packages, including CVD prevention and treatment. Surveys were collected from representative households in 2009, 2011 and 2013 for the programme areas and a comparable control area. This allowed the researchers to calculate a ten-year risk of developing CVD.

The researchers found that CVD risk is not a strong predictor of enrolment. They also found that only the age of adult males predicts enrolment, and this only at baseline. They suggest that if private insurance providers raised awareness this could lead to higher prevention, but also to increased adverse selection. It may therefore be necessary to have targeted subsidies for high-risk individuals, in particular the elderly, to make sure that the most vulnerable are reached.

Lessons learnt

- The findings show that it is important to build a regulatory environment that ensures low levels of contract non-performance and limits ambiguity by increasing market trust and transparency.
- Loans and savings services can be added to complement insurance and thus encourage renewal among individuals who are not facing health problems.
- In cases of adverse selection, it may be necessary to have targeted subsidies for high-risk individuals to make sure that the most vulnerable are reached.

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36 — Glenn Harrison, C.V. Starr Chair, Robinson College of Business, CEAR/GSU, United States.

37 — Wendy Janssens, Associate Professor, VU University Amsterdam, Netherlands.

Parallel session 4

Scaling up agricultural insurance

Agricultural insurance involves a number of challenges, of which one key challenge is to increase, or even just maintain, demand. If there are no, or negligible, payouts in the first few seasons, trust in the product and its perceived value are eroded. Stimulating demand then becomes increasingly difficult. Many agricultural insurance pilot projects do not scale up. How can providers accelerate impact and outreach? This session came up with some answers.

Yield index insurance in Africa

Most index insurance is based on weather stations or satellite data. Yield index insurance can be scaled up quite easily as the structure is simple. It is easy to explain to clients and now also easier to implement with new technology. However, yield index insurance is difficult to operate. There is often a lack of data history, and extreme events can be missing in statistics spanning just a few years. Interpretation can also be challenging.

Yield index insurance requires extensive agronomic knowledge and in-depth interpretation of data sets to analyse the variations in yields. A dramatic increase in yields can, for example, be the result of new farming techniques, the introduction of new seeds or irrigation. The guaranteed yield must be adjusted according to the trend and productivity gains. Yield volatility can also be the consequence of a change in assessment methods, political influence on data or simply an error.

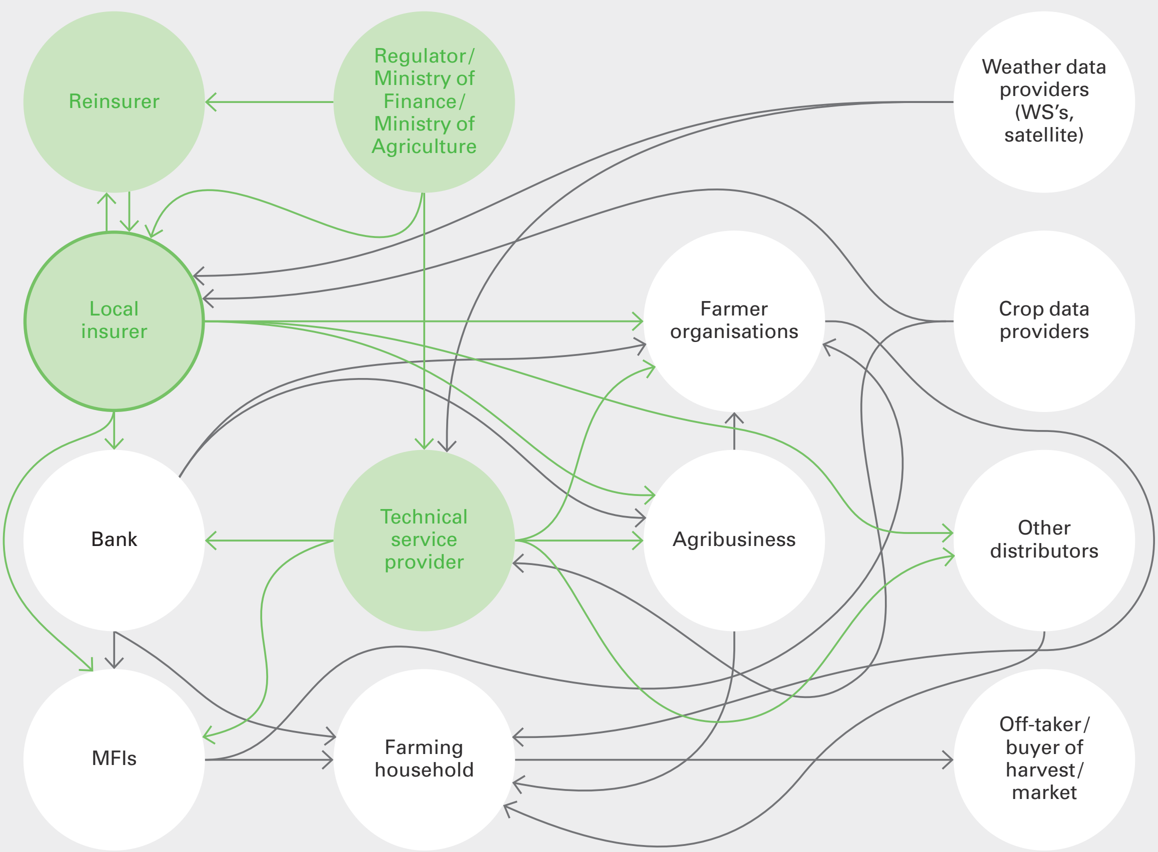
Intra-regional yield deviations pose another challenge. If yields are very heterogeneous, then yield index insurance may expose farmers to a lot of basis risk. In this situation, the relevant policyholder could be an aggregator, insuring the entire district and distributing the payouts according to its own assessment.

Barriers to scaling up

Agricultural insurance is a complex product embedded in a "web" of diverse stakeholders (see Figure 15).

Agricultural insurance must overcome many barriers to reach scale. Some of these are technical: the product can be too expensive or coverage insufficient; it may not be adapted to farming practices (such as weather index insurance for irrigated crops); or it may bear too much basis risk.

Figure 15
Agriculture insurance web



Source: Mookerjee, Agrotosh. Presentation "Barriers to scaling up agriculture insurance and meso-level products". 11th International Microinsurance Conference 2015.

Parallel session 4
Scaling up agricultural insurance

Scaling up agricultural insurance also faces operational challenges. Farmer demand is often low, or there is a lack of interest from the distribution channels. Premium collection at the beginning of the season might be problematic, as farmers do not have liquidity and aggregators may be reluctant to pre-finance the premiums. Weak MIS, data gaps or delays in receiving data are also quite common. The environment might not be conducive for large agricultural insurance programmes. The data used to build the index is often incomplete or not reliable. Local capacity can be scarce and the regulatory and fiscal frameworks unfavourable.

Confronted with so many barriers, it is no wonder that so many pilot programmes never reach scale. However, solutions and innovations exist. In the product design phase, it is important to set a reasonable price and target an adequate loss ratio, so that clients get value from the product. In some cases, medium- or high-frequency payouts can be relevant, even if they are small. A provider needs to consider all product options (weather and area-yield indexes, indemnity, hybrid, double triggers, etc.) and monitor the basis risk. It is also important to address the business case for distributors, and show how insurance can help them solve their own problems, whether they be credit risk, sales promotion or side-selling.

Bundling is a good way of responding to the lack of demand, together with training and financial education for farmers and distributors. Portfolio and meso-level products are also seen as an efficient way of scaling up. Exploring alternative premium payment mechanisms (pre-financing, partial subsidy) and investing in better MIS and databases can also make a difference. Tackling the environment barriers very often requires the involvement of the public sector, especially when it comes to the creation of public goods such as databases, or in the case of subsidies and tax exemption. The cost of insurance investment should be compared with other types of public interventions, such as disaster relief. It is also important to reinforce the capacities of local insurers and operators.

Meso-level agricultural insurance

Meso-level insurance is often presented as the best solution for overcoming the lack of farmer demand and scaling up rapidly and cost-effectively. Contrary to the more traditional model of individual insurance, in meso-level insurance the policyholder is an aggregator. It can be an MFI, a bank, a farming organisation or an agribusiness interested in reducing its own risk exposure. Meso insurance is usually less expensive because it is easier to manage. As the insurer does not have to deal with many individual farmers but only with some few aggregators, sales and administration costs are lower. The aggregator usually pre-finances the premium upfront and recovers it from farmers at the end of the season. In meso insurance, insurance is always bundled together with loans and/or with inputs.

However, although meso-level insurance holds many advantages, it also has its limits. Farmers may not be aware of or understand the details of the insurance they are buying, and then not get all the benefits. The insurance design becomes aggregator-centric rather than farmer-centric. And the insurer faces the risk of depending on a limited number of clients who may not renew.

Lessons learnt

— When creating index insurance models, it is crucial to bring agronomical knowledge to bear on interpreting the data.

— When there are important variations between yields within a region, area-yield index insurance may not be adapted for individual farmers, but it can be relevant for an aggregator.

— Different types of clients (smallholder farmers, commercial farmers, aggregators) will have different needs and require different insurance products.

— Index insurance is not necessarily the best option, and indemnity or hybrid solutions should also be considered.

— Meso-level and portfolio products are easier to scale up, but this implies that aggregator risk exposure is being addressed, not necessarily the risk exposure of the farmers.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38 — Peter Wrede, Senior Insurance Specialist, World Bank Group, United States.

39 — Alexa Mayer-Bosse, Business Development Manager, Munich Re, Germany.

40 — Agrotosh Mookerjee, Agriculture Insurance Consultant, IFC, United Kingdom.

Agenda

Day 2 afternoon sessions
4 November 2015

Parallel session 5

Challenges and opportunities in mobile microinsurance

Can the digitalisation of microinsurance make all the difference?

Jeremy Leach
Chief Executive Officer,
Inclusivity Solutions,
South Africa

The industry's view

Arunjay Katakam
GSMA, United Kingdom

Facilitator
Richard Leftley
CEO, MicroEnsure,
United Kingdom

Parallel session 6

Extending national health insurance

In pursuit of universal health coverage: lessons learnt from Ethiopia's national initiative for community-based health insurance for the informal sector

Jeanna Holtz
Principal Associate,
Abt. Associates,
United States

Integrating community health insurance schemes into national health insurance schemes: tackling the challenge of small risk pools and sustainability – Example of Kilimanjaro Region in Tanzania

Heri Marwa
Programme Director,
PharmAccess Tanzania,
United Republic of Tanzania

Facilitator
Denis Garand
President, Denis Garand
and Associates, Canada

Parallel session 7

Servicing MSMEs

How can insurers help small and medium-sized enterprises overcome barriers to success?

Alice Merry
Research Officer,
International Labour
Organisation, Peru

The role of insurance in supporting the productivity of credit and savings. Evidence on the interplay between insurance, savings and credit from the first six MAP Countries

Jeremy Gray
Senior Researcher, Cenfri,
South Africa

Insights from an insurance provider

Lorenzo Chan
President, Pioneer Life Inc.,
Philippines

Facilitator
Craig Churchill
Chief of the Social Finance
Programme, ILO

Parallel session 8

How technology can improve agricultural insurance

Developing and improving climate (index) insurance products combining technical expertise and local knowledge

Mark Rueegg
CEO, CelsiusPro,
Switzerland

Innovative PPP between the CNAAS and PlaNet Guarantee

Francois Xavier Albouy
Vice President,
PlaNet Guarantee, France

The data collection and management system for area yield index insurance in Kenya

Tom Dienya
Principal Agriculture Officer,
Ministry of Agriculture,
Livestock and Fisheries,
Kenya

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

Plenary 3

How can microinsurance become profitable?

Mathilda Strom
BIMA,
United Kingdom

Bilal Mughal
Zurich / Blue Marble,
Switzerland

Francois Forge
Head of Asia,
Microinsurance and Emerging
Customers, AXA Asia,
Hong Kong

Recaredo Arias
CEO, AMIS / GFIA,
Mexico

Facilitator
Andrea Keenan
A.M. Best,
United States

Parallel session 5

Challenges and opportunities in mobile microinsurance

This session tackled the question of what positive difference the digitalisation of microinsurance can make for its distribution and uptake. The mobile market is growing faster than the traditional insurance market. The entry of insurers into the market often begins with free insurance, which is attractive to the telecommunications provider and the customers. Ultimately, mobile insurance needs to be seen as an enabling technology and not one that is a solution to the quest for client conversion and retention.

The digitalisation of microinsurance

The estimated market potential for mobile microinsurance is 1.5 to 3 billion people (see Figure 16).

There are a number of indicators which show the rapid growth potential of the mobile market, compared to the typical insurance market, for reaching these people. The penetration of mobile phones in emerging markets is greater than 45 %. Insurance sold via mobile operators has a penetration of 2–15 %, but mostly lies in the region of 2–5 %. And it is estimated that mobile insurers can insure one million lives in a year, whereas it takes a typical insurer 40 years to reach so many customers.

There are two broad approaches that developers and distributors take with respect to mobile microinsurance. Firstly, the approach that begins with launching a paid-for product, where the client pays the premium. This is generally seen to be the easiest approach to take, because the mobile network provider does not need to subsidise the insurance but rather receives direct revenue from a share of the premiums.

However, this approach has the drawback of being difficult to get up to scale, because it is not enough to have the insurance available for purchase on the phone. Potential customers must be motivated to purchase it.

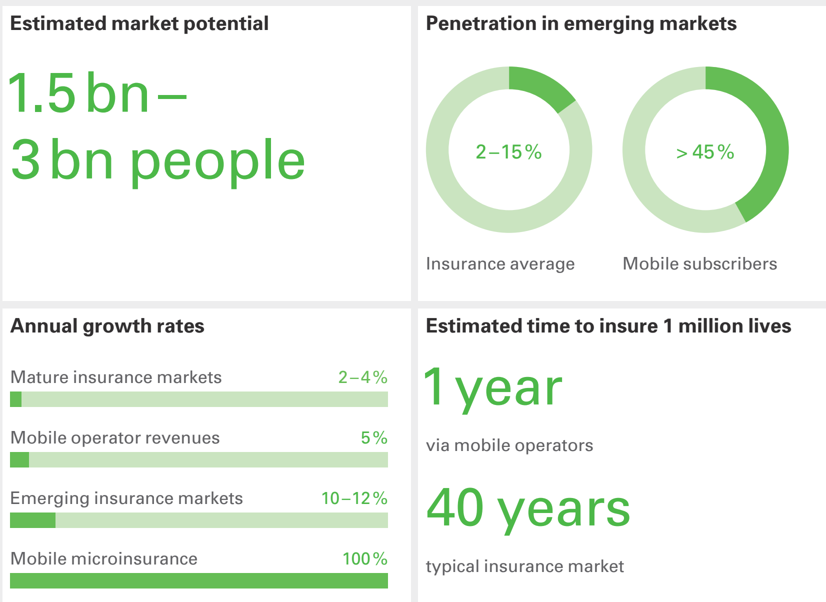
Secondly, the approach that begins with launching a "free" product. This approach is the opposite of the first, where it is easy to get people to sign up, and have it potentially reach scale, but it is difficult to convince the telecommunications company to participate.

The rationale in getting telecommunications companies involved is to help them reduce the churn of their customers, that is to reduce the number of people who stop using one company's minutes and start using another's, as well as incentivising use of other services such as mobile money or savings. The benefit of free insurance can suffice to make customers spend more money with the provider that offers the free insurance.

Advantages of working with telcos

Microinsurers have many advantages in working with telecommunications companies. For one thing, they can leverage the brand of the telecommunications company, which in low- and middle-income economies in Africa and Asia is favourably seen as delivering one of the few customer experiences that reliably works. The telecommunications company can then take that trust and use it to sell insurance, which is one of the least-trusted kinds of business. This is an attractive alternative to the more expensive high-touch model of selling insurance, where the insurer has a visible and accessible presence.

Figure 16
Significant opportunity for digital insurance solutions in emerging markets
Mobile provides a widespread channel to realise the potential of insurance more rapidly



Source: Leach, Jeremy. Presentation "Can the digitalisation of microinsurance make all the difference?" 11th International Microinsurance Conference 2015.

Another benefit is that the insurer can use the airtime minutes as a source of payment. This is important when finding an inexpensive mechanism to move a lot of very small payments.

One seeming drawback – the difficulty to communicate much policy detail through text messaging on the mobile phone – can be turned to the insurer's advantage. This can be done by removing all exclusions from the insurance policy, whether for health or for life insurance. The lack of restrictions begins to matter less and less as more and more people sign up, and the risk pool begins to resemble the general population. This has the added advantage of rendering detailed actuarial knowledge less important, as the average age of the policyholders, for example, converges with the average age of the population.

Drivers of success

Research has shown that there are many drivers of success in mobile microinsurance. Firstly, leveraging the brand of the mobile operator to build a client base with loyalty models, and then upselling the policyholders with suitable payment mechanisms. To do this, it is essential to have a simple product design and simple payment and remuneration processes. Secondly, the provider must be flexible enough to combine digital sales with higher-touch agent distribution, and offer multiple types of cover to clients over time. Thirdly, the insurer needs to help enable the regulatory environment for the mobile insurance product.

While it is tempting to see digitalisation of the insurance market as a simple way of overcoming many of the challenges to scaling up the customer base in emerging markets, it must also be seen as a piece of technology that depends upon the context in which it is used.

A mobile phone can only be an enabler and not a solution in and of itself. Nonetheless, the future of mobile technology's impact on insurance will also continue to evolve as smart phones increase their market penetration: because there are more mobile applications available, including new ways of better processing mobile money transactions and as the growth of big data allows better product customisation.

Lessons learnt

- The estimated market potential for mobile microinsurance is 1.5 to 3 billion people.
- Insurers can leverage telecommunications company brands, which are more highly trusted than those of insurance companies.
- A mobile phone can only be an enabler and not a solution in and of itself.
- Its impact on insurance will continue to evolve – with more smart phones, more applications and new ways of processing transactions.

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41 — Left to right:
Richard Leftley, CEO, MicroEnsure, United Kingdom;
Arunjay Katakam, Payment Specialist, GSMA, United Kingdom;
Jeremy Leach, CEO, Inclusivity Solutions, South Africa.

Parallel session 6

Extending national health insurance

This session discussed how local and community-based health insurance schemes can be scaled up in partnership with the government, citing two examples from Tanzania and Ethiopia.

Upgrading local and national schemes

PharmAccess, a Dutch NGO active in five countries in Africa, recapped its experience with a five-year-old scheme in Tanzania. The PharmAccess mission is to help integrate existing community insurance into the national scheme. The NGO operates in countries where the capabilities of the state are limited. The markets tend to falter due to low quality, low trust and insufficient access.

In Tanzania, the government introduced its National Social Insurance targeting public servants in 1999. This was followed by the establishment in 2001 of a Community Health Fund (CHF), a voluntary scheme for the informal sector.

These two schemes together cover only 14% of the total population. In 2014, the enrolment for CHF was 6.7%, far below the national target of 30% set for the end of 2015. About 80% of the population is not covered and private companies insure only 3%.

The characteristic of CHF is that the risk pools are small, premium is very low and there is no systematic reimbursement to health facilities. The money collected is used on an ad hoc basis for whatever is needed at that time, not specifically for healthcare. Services, provided only by public health facilities, are of poor quality and the scheme's acceptance in the community minimal. In this context, PharmAccess took on the task of turning CHF into a sustainable microinsurance scheme – providing technical support in scheme administration, marketing and actuarial design. The Improved CHF (iCHF) project is 50%-subsidised by local government with the objective of integrating local schemes into the National Social Insurance scheme.

Distribution in the community scheme is performed by a volunteer who goes from house to house to encourage people to enrol. Every village selects two volunteers. A 10% commission is sent to their mobile phones at the end of the month.

PharmAccess is focusing on a number of measures to make the scheme profitable over time (see Figure 17) – in addition to improving the quality of drugs and medical equipment management accomplished in 2015. Its plans for 2016 include the addition of regional hospitals.

CHF Tanzania

Number of people insured
39,133 lives

Insured risks
Healthcare (outpatient, inpatient and maternity)

Premium range
Not available

Scaling up a government-sponsored community-based scheme

In Ethiopia, Abt. Associates, a US-based global research and development consulting firm working on behalf of USAID, has supported the government in piloting and scaling up community-based health insurance (CBHI) schemes in four regions of the country.

CBHI in Ethiopia (early 2015)

Number of people insured
650,000 individuals;
144,000 households

Covered benefits
Outpatient services and hospitalisation

Premium range
Between US$ 6.00 and US$ 9.60 per annum

Ethiopia, Africa's second most populous country, has a population of 94.1 million people, 85% of whom work in the informal sector and 39.6% live in poverty. There are 35,000 health officers, but low health-service utilisation (0.3 visits per capita). Ethiopia has made a major investment in strengthening the health system since the 1990s. The first-generation reforms (1990–2008) saw a 50% reduction in maternal mortality. Additional reforms began in 2008 with the decision to introduce social health insurance for the formal sector and CBHI for the informal sector. In 2011, CBHI schemes were launched in 13 districts of four regions, targeting 1.8 million people.

The benefit plan covers services at health centres and hospitals. The contributions range between US$ 0.50 and US$ 0.80 per month and household. There is no co-payment or user fee charged to beneficiaries when they access care. Contributions and subsidies are pooled at the district level; these pooled funds are used to pay health facilities' fees when they provide services to beneficiaries.

The CBHI governance structure allows community members to participate in decision-making through a general assembly which also has delegates from the government (see Figure 18).

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42 — Left to right:
Jeanna Holtz, Principal Associate, Abt. Associates, United States;
Denis Garand, President, Denis Garand and Associates, Canada.

43 — Heri Marwa, Programme Director, PharmAccess Tanzania, United Republic of Tanzania.

Funding is derived from member contributions (52%) and subsidies by federal, regional and district governments (48%). The government employs three members of staff per district and covers operational costs.

The results of the pilot project included:

- Enrolment (157,000 households, 700,000 individuals) varying by district, from a low of 28% to as much as 100%.
- Utilisation by insured clients increased to 0.7 visits annually per insured, versus the national average of 0.3 visits per person per year, but the availability of medicine is still an issue.
- A poverty-reduction effect, with a 7% rate for insured versus 19% for non-insured.

Membership retention remains a challenge. There was a decline in enrolment and contributions in Years 2 and 3. Financial sustainability is an ongoing concern as the CBHI schemes scale up, particularly in respect to the government's ability to provide sustained subsidies at scale and to the financial viability of schemes in urban areas where utilisation is higher. Additionally, there is a lack of incentives for local officials and health providers. They receive no remuneration for extra tasks in scheme administration or for providing higher volumes of services. However, the biggest challenge is simply maintaining, never mind improving, the quality of care.

When the pilot came to a close in 2013, the government made the decision to scale up from 13 to an additional 185 districts. There are 900 districts in total. A national strategy has been put in place to cover 80% of the districts and 80% of the households in the current five-year health sector plan.

Lessons learnt

- CBHI and, in general, other health schemes require strong government commitment with significant budgetary and organisational involvement to reach scale and achieve financial viability.
- Small microinsurance schemes are unlikely to be sustainable given small risk pools and proportionately higher administrative costs.
- An improved health insurance system does not necessarily mean improved health services.
- Access to quality care, including medicines, is a critical factor in generating a sense of value for the insured.
- In general, the healthcare services must be of good quality before a health insurance scheme can be implemented and brought to scale with success.

Figure 17
Key areas of improvement

Introduction of reimbursement using Capitation model

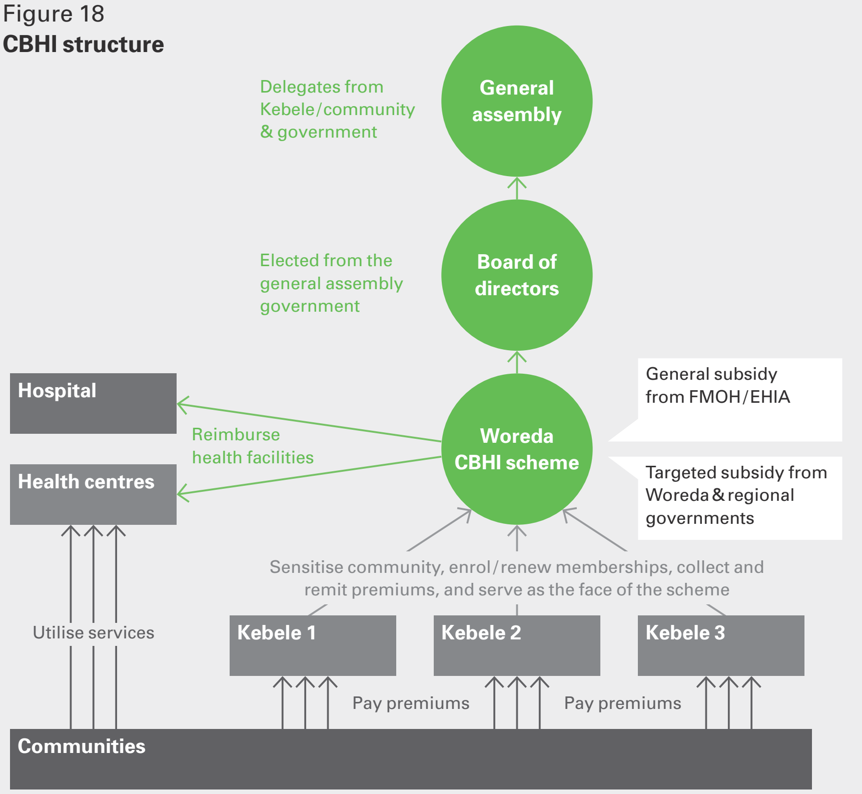
Expansion of benefit package to include inpatient and surgical operation at primary care facilities

Quality improvement at healthcare facilities using SafeCare methodology

Improve access to loan through Medical Credit Fund

Source: Marwa, Heri. Presentation "Integrating Community Health Insurance Schemes into National Health Insurance schemes: tackling the challenge of small risk pools and sustainability – Example of Kilimanjaro Region in Tanzania". 11th International Microinsurance Conference 2015.

Figure 18
CBHI structure



Source: Holtz, Jeanna. Presentation "In pursuit of universal health coverage: Ethiopia's community-based health insurance". 11th International Microinsurance Conference 2015 ; EHIA.

Parallel session 7 Servicing MSMEs

Micro, small and medium-sized enterprises (MSMEs) are a market that typically is underserved by insurers. This session compared experiences around the globe to draw lessons as to how to address their insurance needs.

MSME use of financial services: evidence from six countries

South African think-tank Cenfri conducted research on MSMEs in six countries (Lesotho, Malawi, Mozambique, Myanmar, Swaziland and Thailand). They found that MSMEs are the second most viable market for insurers, after salaried workers, and also the second highest users of financial services.

MSMEs are a potentially viable market for insurance but are currently underserved. Most of these entrepreneurs are women (59%), with low and irregular income and no or only primary basic education (64%), who live on very short-term budgets. The majority of them have sources of incomes other than their business.

The MSME market is far from being homogeneous, and the ability or the motivation to run a business can vary greatly (see Figure 19).

The lines between personal and business incomes are blurred, and most primary risks are personal and related to the entrepreneur. Personal risks such as illness or death are the main drivers that could lead to bankruptcy. In each of the six countries surveyed, insurance is the least-used coping mechanism. Small entrepreneurs would rather reduce expenses, draw down their savings or take out a loan (see Figure 20). This absence of insurance damages their repayment capacity because they need the capital to cope with the perils.

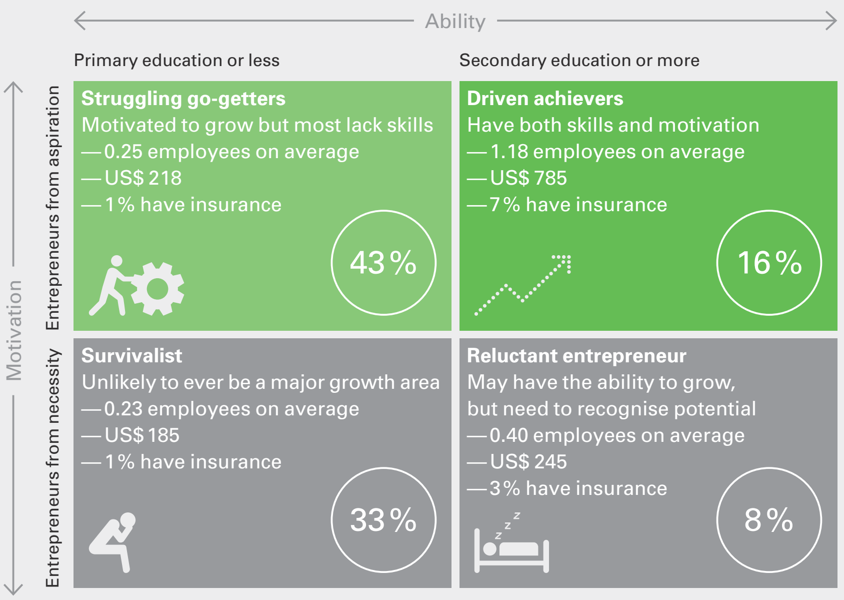
Why is microinsurance penetration so low for this segment? If we have a look at Mozambique's survey, a lack of awareness seems to be the first reason, as MSMEs say they do not know insurance, or don't know how it works. They also perceive a low value in insurance and prefer other coping mechanisms such as informal risk pooling, village banks or savings. These alternatives have the advantage of protecting them from a multitude of risks, and not merely those specified in the insurance policy. They can also expect a return from their savings or better access to credit.

How can insurance support small businesses?

Small businesses face a variety of risks. Insurance is particularly relevant for hazard risks such as fire, natural perils, theft or personal injuries. Insurance can also have a role, alongside other types of interventions, for financial risks such as credit and liability risks.

For operational or strategy risks, however, insurance is probably not the best solution. The good news is that many insurance products already exist and have been featured in an ILO study on the insurance for small businesses (see Table 2).

Figure 19
MSME market example of Malawi



Source: Gray, Jeremy. Presentation "Understanding the opportunity for MSME insurance". 11th International Microinsurance Conference 2015; MSME Finscope Malawi, 2012.

The study also identified emerging good practices to serve small businesses:

- Align the insurance product with how the business operates.
- Customisation is costly, so propose standardised products, addressing multiple risks, even with limited cover. The case of Pacifico in Peru is a good example. It provides a product which covers fire, earthquake, civil unrest, natural disaster, robbery and breakdown of machinery. It is a standardised product available at three different levels of coverage. It offers health services for the business owner, employees and their families.
- Health is often a priority for small businesses, and a largely unaddressed business opportunity for insurers.
- The key in distribution is finding appropriate aggregators, such as suppliers and buyers in the value chain.
- Another barrier faced by small business insurance is the lack of insurance culture. Some entre-preneurs may already use personal insurance so it can be relevant to complement this with business-adapted covers. It is also important to grow with the clients: as the business evolves, so should the product. Paying claims is a powerful way to build trust. For example, news of payouts spreads fast after a fire in a community, and demand increases.

Figure 20
Most MSME primary risks are personal

Source: Gray, Jeremy. Presentation "Understanding the opportunity for MSME insurance". 11th International Microinsurance Conference 2015.

Table 2
Potential insurance products
Examples seen in the study

	Risk	Potential insurance product
Hazard risks ↑	Fire and other property damage	Fire insurance
		Multi-risk property insurance
	Windstorm and other natural perils	Weather insurance
	Theft and other crime	Theft insurance
		Political violence insurance
		Money insurance
		Fidelity guarantee insurance
	Personal injury	Personal accident insurance
		Workers' compensation insurance
	Business interruption	Business interruption insurance
	Disease and disability	Health insurance
		Permanent disability insurance
	Liability claims	Public liability insurance
		Product liability insurance
↓ **Financial risks**	Liquidity	Trade credit insurance
	Credit	Credit-linked insurance

Source: Merry, Alice. Presentation "How insurance can support successful small businesses". 11th International Microinsurance Conference 2015.

44 — Lorenzo Chan, President, Pioneer Life Inc., Philippines.

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Parallel session 7
Servicing MSMEs

Entering the SME market in the Philippines

In the Philippines, nine out of ten businesses are micro-enterprises (with one to nine employees). The Pioneer Group decided to target this segment. It created the Negosure insurance for the "sari-sari" stores, the little variety stores which often sell products in small sachets. Market research showed that these little stores often are physical extensions of the owners' homes, and may not be officially registered. In 73% of the cases, they are run by women. They often sell their products on credit (up to 500 pesos or about US$ 10 per client) and clients pay their bills when they receive their salaries. Apart from the risk of fire to the store, these entrepreneurs cannot rely on any social safety net, so getting sick or hurt in an accident is a very serious concern.

Pioneer expects to benefit from the "first-mover" advantage, as there is almost no competition for this segment. Its strategy was to focus on the customers' two most pressing concerns: fire and personal accident. Negosure is a standardised product with two coverage limits (for a premium of US$ 10 or US$ 25 per year).

For distribution, Pioneer partnered with consumer goods companies that buy insurance for their best resellers as a reward to improve loyalty. This channel represents 65% of its sales. Pioneer also sells its policies through consumer goods distributors (intermediaries between companies and retail stores) and supermarkets. Within a few months, Pioneer sold 3,000 policies. There are still challenges ahead though, one of them being the low registration turn-out for shops that received the cover as a reward.

Pioneer's Negosure in the Philippines

Number of businesses insured
3,000

Insured risks
Fire and personal accident

Premium range
US$ 10–25 per annum

Lessons learnt

— Business and family risks are undifferentiated for small businesses, so both categories must be addressed.

— Finding the right aggregators for distribution is important. Consumer goods companies or other value chain actors can have a high potential.

— It is simpler and more efficient to propose standardised products focusing on the main risks faced by MSMEs.

— Market research is a prerequisite for understanding how the MSMEs operate. Offering them the product that helps them manage their business is the best approach.

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45 — Left to right: Craig Churchill, Chief of ILO's Impact Insurance Facility, Switzerland; Jeremy Gray, Senior Researcher, Cenfri, South Africa; Alice Merry, Research Officer, ILO's Impact Insurance Facility, Peru.

Parallel session 8

How technology can improve agricultural insurance

Modern technology for sourcing precise index data from remote customer interfaces and satellites is paving the way for innovative agricultural insurance. This session featured cases in Senegal and Kenya and expert advice on calculating index values by combining a farming community's own knowledge with data from space.

A partnership for reaching the vulnerable

La Compagnie Nationale d'Assurances Agricole du Sénégal (the National Agricultural Insurance Company of Senegal – CNAAS) was created in 2008 as a public-private partnership to underwrite crop and livestock insurance. Its private partner, PlaNet Guarantee (PG), is a member of the PlaNet Finance Group and facilitates access to microinsurance through research, development, brokerage and managing contracts on behalf of insurers and reinsurers.

Agriculture involves nearly two thirds of the population of Senegal, one of the countries in the ecoclimatic, drought-prone Sahel zone where irregular rainfall and relatively poor soil add to the constraints of traditional indemnity-based crop and livestock insurance. In 2011, PG and CNAAS undertook to jointly build up the country's market in index-based crop insurance.

PG contributed the technology and technical capacities for index and product design, training and awareness raising, policies management, distribution and reinsurance. CNAAS helped with access to data (on rainfall from the national agency and on yield from agribusinesses), product validation, legal approval and promotion. The government for its part committed to a 50 % premium subsidy to policyholders for selected crops and livestock. It also revised regulatory instruments to include microinsurance and agricultural index insurance.

The partnership in two pilot phases has developed and implemented five index-based policies for peanuts, maize, millet and rice. PG elaborates policy documents and runs distribution through 27 delivery channels (farmer co-ops, NGOs, MFIs, etc.), while CNAAS promotes the product through local subsidiaries and settles claim payouts. Technology has enabled CNAAS to address crop insurance at a very local level in remote areas. The partnership is counting on increasing the use of mobile systems (for micro payments and e-banking) to make coverage accessible to more and more vulnerable smallholder farmers in distant communities (see Figure 21).

Figure 21
Innovative distribution channels

Aggregators

- Insurance products designed for aggregators to increase their profitability
- Banks/MFIs: can lend to more customers as the default risks are covered
- Input producers: can stabilise their revenues as farmers can order the following year
- Agribusiness: can secure revenue or cost in years of drought

Remittances

- Growing essential source of funds for African countries and populations
- US$ 400 bn sent by African migrants to their relatives and families in Africa according to ILO – most important source of foreign resources, exceeding international aid
- Insufficient elementary social protection for migrants' families in terms of access to healthcare, insurance, savings, etc.
- Remittances looked upon as informal insurance since they finance current expenses for local populations: Health, education, food, etc.
- Inability of formal institutions to provide products meeting these populations' needs
- Development by PlaNet Guarantee of innovative and inclusive products catered to the needs of the migrants and their families

Mobile systems

- Increase of mobile phone use in Africa in recent years especially in rural areas
- Mobile phone use for micro payments and e-banking activities. Unbanked poor populations already at ease with the use of mobile phones
- Microinsurance development helped by mobile phone use:
  - *Distribution scheme:* distant populations more easily reached thanks to mobile distribution
  - Possibility to package insurance with the customer's mobile banking account to support the creation of savings-insurance products
- Marketing and communication:
  - Creation of mobile applications as an innovative training tool for partners, distributors and targeted public
  - Help to gather information on farmers and design appropriate products
  - Portfolio management: mobile information system (MIS) can be used to collect premium and distribute claim payouts

Source: Albouy, Francois Xavier. Presentation "Improving PPP between the CNAAS and PlaNet Guarantee". 11th International Microinsurance Conference 2015.

Parallel session 8
How technology can improve agricultural insurance

The first to use mobile technology

Kenya's population of 44 million has experienced 41 major floods and 12 major droughts over the past 40 years. Standard disaster responses such as food and cash aid, livestock restocking and budget reallocation suffer from slow disbursement, distribution inefficiencies and the reinforcement of dependency. Agricultural insurance as an alternative has none of these drawbacks. The World Bank recommended a comprehensive programme with crop and livestock insurance components. Use of technology is a centrepiece in both components.

Kenya's Index-Based Livestock Insurance (IBLI) scheme uses an index of forage availability based on NDVI[2] satellite data to determine whether or not a payout should be made to all policyholders in the target area.

For smallholder and semi-commercial farmers, Kenya has been implementing an innovative insurance plan called Kilimo Salama (see Box 3). It is a hybrid plan with indices for weather and area yield drawn from 20-year historical data and monitored by satellite and automated stations.

The plan is linked to agricultural loans from MFIs used for fertiliser and improved seed. It is a simple-to-understand product supported by client-specific communication and interfacing to refresh the value proposition and build trust. In 2012, the insured farmers in Kenya invested almost 20% more in their farms and earned 16% more income than neighbouring uninsured farmers.

Box 3

Kilimo Salama

Launched in 2009, Kilimo Salama (Safe Agriculture in Kiswahili) is a partnership scheme between Syngenta Foundation for Sustainable Agriculture, UAP Insurance in Kenya and local telecoms operator Safaricom. It is the first agricultural insurance programme in Kenya – and Africa – to reach smallholders using mobile technologies. Farmers can "try out insurance" by insuring as little as one bag of fertiliser with one kilogram of seed to plant one acre of maize. Insuring one acre of maize against drought costs a farmer the equivalent of US$ 37, or 10% of harvest value. Any payout is transferred to the farmer's "mobile phone wallet" at the end of the season.

In Kenya and Rwanda, where more than 96% of agricultural land is rain-fed and vulnerable to drought and erratic rain, mitigating weather-related risks for smallholder farmers is an important tool for unlocking credit.

Source: International Finance Corporation (IFC)

In a new development, Kenya has adopted an Area Yield Index Insurance (AYII) programme for crops to be undertaken jointly by the government and a consortium of seven insurance companies under PPP arrangement. The Ministry of Agriculture's involvement includes data collection and management with an emphasis on the application of ICT[3] systems sustained by the government. The system design is expected to improve data collection efficiency and promote the transparent and timely provision of information to stakeholders.
As part of AYII, the regular collection of climate data and of socio-demographic variables facilitates the development of an appropriate design to target farmers who receive government subsidies within this programme. There are several opportunities for using modern android-based mobile applications. For example, during crop yield assessment, field enumerators can use tablet PCs to send pictures of the crop in the field or videos showing the actual yield estimation through crop cutting. To facilitate yield loss assessment, the data of actual yield estimates are sent to a web-based ICT system that instantly analyses and evaluates whether a loss has occurred that warrants payouts to farmers. Mobile phones can also be used to pay farmers promptly by means of mobile money transfer systems if they do not have bank accounts.

2
The "Normalised Difference Vegetation Index" of vegetation greenness.

3
ICT (information and communications technology), broader in scope than IT, refers to telecommunications, computers and software, and also to audio-visual systems that enable users to access, store, transmit and manipulate information. – Wikipedia

A competitive differentiator

CelsiusPro, based in Switzerland, specialises in structuring tailored index products and serves as the NDVI calculation agent for determining risk and payouts for Kenya's IBLI programme. It specifically wrapped up the session with "Technology solutions for parametric insurance" to combine technical expertise and local knowledge for the development and improvement of climate (index-based) insurance products.

Technology is a competitive differentiator: how an organisation uses data is what gives it the competitive edge. Insurers should therefore improve the knowledge of how to use technology that is already available.

At the moment, for example, the satellite data available is not being used to its full potential. Using rainfall data to estimate the likelihood of a drought-induced crop loss is similar to a rough guess of what actually happened and thus increases basis risk. More precise data for more accurate crop failure prediction has already been collected and is available at comparably low costs. Improving agricultural insurance by reducing basis risk is consequently actually a task of processing data that is already available. However, reinsurers are sceptical and argue that there must be an informational benefit in using more data. Increasing the number of data sources otherwise results in inefficient data mining.

Another key to scaling up agricultural insurance is digitalisation, in particular of distribution and operations, to reduce processing errors.

When using satellite data, the most significant costs incurred are for storage and processing, whereas the costs of data acquisition itself are negligible. To reduce costs further, technology could be treated as a public service serving all stakeholders in the market. However, despite all the available technology, the know-how for using it remains a key challenge.

Lessons learnt

— Technology allows crop insurance on a very local level in distant communities.

— A PPP can oblige the government to make a contribution to market development (subsidies, legislative changes, etc.).

— Smart use of ICT systems helps produce reliable historical data for a credible statistical basis for index insurance. Governments can effectively coordinate and supervise this process.

— Most data for designing parametric insurance and related indices is already available and usable at relatively low costs.

— Technical expertise needs to be combined with local knowledge to calculate trigger levels for index insurance, particularly with satellite data for the NDVI.

— When using technology for agricultural insurance, the goal of solving the problem of risk exposure for smallholder farmers must be kept in mind.


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46 — Left to right: Mark Rueegg, CEO, CelsiusPro, Switzerland; Francois Xavier Albouy, Vice President, PlaNet Guarantee, France; Tom Dienya, Principal Agriculture Officer, Ministry of Agriculture, Livestock and Fisheries, Kenya; Dirk Reinhard, Vice-Chairman, Munich Re Foundation, Germany.

Plenary 3

How can microinsurance become profitable?

It goes without saying that to be able to continue serving low-income people, a microinsurer must be viable, and viability depends on becoming and remaining profitable. When managed efficiently, each facet of the business contributes to profitability, from designing and pricing products and choosing distribution channels to monitoring claims and expense ratios, and from using market development opportunities in regulatory frameworks to maximising prudent investments. The prime focus needs to be on operational gains for products (see Box 4). This plenary discussed and reviewed different approaches and strategies for achieving profitability and long-term viability from the perspective of a mobile microinsurance provider (BIMA), an insurance company (AXA), a consortium (Blue Marble) and an insurance association (AMIS).

BIMA offers simple and affordable life, accident and health insurance services to people in emerging markets that typically live on less than US$ 10 a day. The products are registered and paid for via mobile technology, but distribution, conducted by a dedicated agent force, is physical. In five years, BIMA has grown to serve 18 million subscribers in 14 markets through 3,500 agents.

AXA, a multinational insurer, introduced microinsurance in 2007, with projects addressing social exclusion but holding the potential of a break-even in the long term. Through partnerships in a growing number of countries (such as the addition of MFI Fondep in Morocco in November 2015), it is poised to contribute to the sector's strong growth in the next five years (see Figure 22).

Blue Marble is a consortium of eight insurers and brokers (AIG, Aspen, Guy Carpenter, Hamilton, Old Mutual, Transatlantic Re, XL Catlin and Zurich) that have collectively embarked on a quest to provide microinsurance to the underserved. Blue Marble is committed to launching ten microinsurance ventures over the next ten years, with the first one expected to begin in November 2015.

Box 4

Profitability

In general and simple terms, an insurer's profit is defined as revenue or premium income less claims costs and expenses. Specifically speaking, this is underwriting profit (or loss, if claims and expenses combined exceed premium income).

An insurer making an underwriting profit may still not be profitable in terms of overall performance. An insurer with an underwriting loss may well end up being profitable. That is because the combined ratio (claims + expenses) does not take into account the income (or loss) that an insurer can make by investing funds on hand. (To be precise, looking at the statement of income, investment gains on capital and surplus should be removed from the net income to determine if there is an underwriting profit.)

Investment income can boost the underwriting profit or offset an underwriting loss. The opposite can be true, of course, if investments go sour in a volatile or down market. Keeping an eye on investments is particularly important for a life insurer, which holds some amounts of premiums for longer time periods.

Nevertheless, profitable underwriting remains the foundation of overall profitability, enabling an insurer to remain viable and compensate shareholders for the capital invested. In the process, it must watch for the danger of outgrowing the required risk-based capital. Fast growth, without proportionately increasing the minimum capital required to meet liabilities, can make an insurer as susceptible to collapse as a house of cards.

That is why in a number of jurisdictions insurers must project their business growth under several plausible scenarios to ascertain their ability to retain the minimum capital needed, come what may.

Source: Qureshi, Zahid and Garand, Denis. "Insurance: how it works financially", 1991, updated 2015.

AMIS (the Mexican Association of Insurance Institutions) is pursuing a number of initiatives to develop an inclusive market. According to AMIS, this type of microinsurance market has three essentials: demand (trust in insurance companies, insurance culture); supply (availability of products that are relevant to the poor, the industry considering the low-income segment viable); and environment (regulation with a good balance between microinsurance promotion and consumer protection, PPPs for social protection).

47 — Left to right: Andrea Keenan, Senior Managing Director, A.M. Best, United States; Mathilda Strom, Head of Business Development/ Deputy CEO, BIMA, United Kingdom.

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The panel discussion began with BIMA pointing out that its experience over five years shows that profitability is driven by two fundamental components: scale and low costs. The equation echoed the three profitability drivers noted in an ILO Impact Insurance study: achieving scale, controlling claims costs and managing expenses[4]. Many points made by panellists underscored the role of technology in accelerating the growth of the business and in lowering the costs of operations and claims.

Innovative use of technology

Mobile technology for distributing products (in partnership with MNOs, affinity groups or retail stores) goes hand in hand with IT for operational support in serving a rapidly rising number of customers efficiently – through electronic registration, premium payment, contract renewals and claims settlement.

However, such high-tech mass distribution cannot succeed without close face-to-face interaction with agents from the targeted communities. Explaining the insurance product at the point of sale cannot be sourced out to technology. While **BIMA** agents are busy educating potential customers in face-to-face exchange, mobile technology helps to steer and guide them. BIMA has a dense distributor monitoring system that tracks sales on an hourly basis and relays the data to supervisors. It not only helps prevent fraud but also the intermediary from applying pressure to conclude a sale if a client is undecided about taking out a policy. BIMA's system also accounts for all costs related to acquisition and servicing – to be shared with a partner as required.

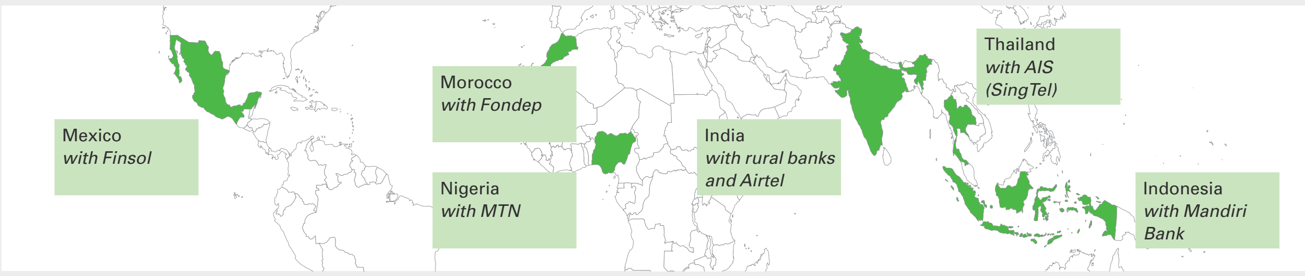
Tailored design of required products

The main currently profitable insurance products are credit life, hospital cash, personal accident, health and funeral insurance. In particular products with a low incentive for fraud and low claim-verification costs are easier to market and bring to a profitable scale. Although all markets have the potential of being profitable, success appears to come more easily in markets with a relatively high mobile phone penetration, low initial insurance coverage and a favourable climate for direct non-domestic investments.

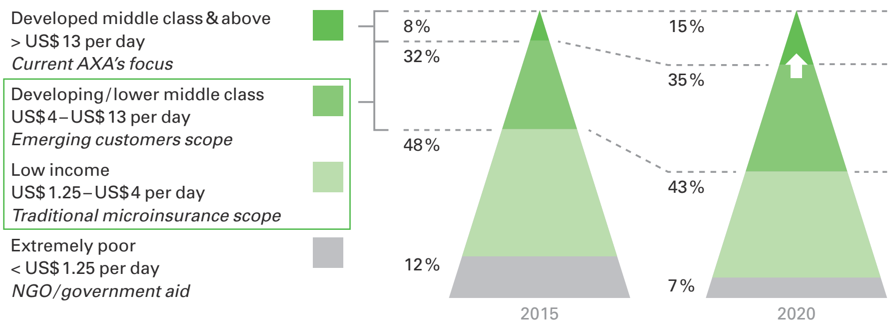
4
Angoe & Dalal: "Business Case for Microinsurance."

Figure 22
By 2020, a new middle class will emerge from the developing middle class, representing a unique opportunity for AXA to take position in this promising segment

3 million insured lives in 2014



Developing middle class vs low income



Make it profitable?

At short term

— **Products to be very simple** and having a real customer added value
— Distribution channels to be trusted well by customers and **having access to a critical mass**
— Operations to be simple and highly digitalised to **keep the operational and administrative costs low**

At mid-long term

— **Upsell** when customers reach a higher maturity stage

Source: Forge, Francois. Presentation "A unique opportunity for AXA to take a strong position in this promising sector". 11th International Microinsurance Conference 2015; ILO.

Plenary 3
How can microinsurance become profitable?

Scalable products, in particular, are designed to cater to customer requirements, more so than products that a marketing expert may think they need. Looking ahead is important. The approach taken by AXA is aimed at insuring the risks and needs of future middle classes. As the company considers the provision of support for the underserved in managing risk as a social responsibility, AXA positioned its multinational brand in emerging markets at an early stage. However, it has kept its eye squarely on changes in the low-income segment and its requirements. It can thus respond with the requisite product lines when necessary – even though the period between entering the market and making a profit on its investment may take longer than the time period to which insurance managers and investors are used in developed markets.

The Blue Marble collaborative approach also constitutes a deep pool of technical resources in a broad range of areas, such as product design and pricing. The eight partners in the joint venture together have more than 250,000 employees in 170 countries – a global presence with local knowledge and experience.

Careful choice of distribution channels

Panellists emphasised the importance of careful selection of distribution channels to achieve successful mass reach. Distribution channels and products must both be tailored to the needs of potential customers – not only in terms of affordability and simplicity of the terms and conditions, but also in respect to where and how to market the offered products. Profitability essentially depends on customers renewing their contracts. This calls not only for careful product design but also the selection of the right distribution channel. AMIS pointed out that in Mexico, mobile sales have been faced with problems. For this reason, the distributing partner must have the wherewithal to address the issues.

The choice of distribution channel must be guided by the specific characteristics of the market segment and should depend, for example, on the degree of mobile phone coverage, acceptance and use in the communities to be served.

Proactive participation in market development

The process of insuring the low-income segment in many markets is changing too rapidly for supervisory authorities to keep pace with changes in regulation. The panellists agreed that regulatory frameworks should adapt dynamically according to the principle of proportionality. Regulatory requirements and their enforcement should therefore balance the risks and benefits, taking the nature, scale and complexity of an insurer's risk into account, against the possible contribution of insurance to the social and economic well-being of the low-income segment.

Regulatory measures pending acceptance in some jurisdictions include: electronic registration (as opposed to a wet signature) and mobile payments, licensing non-traditional distributors, the requirement for conventional insurers to offer microinsurance, and data exchange across different countries, or even insurance companies, in the event of customer migration.

Insurers must be proactive in influencing regulations to promote the development of the microinsurance market. In Mexico, AMIS has lobbied for three measures aimed at allowing mass promotion and sustainable distribution of microinsurance:

— Public-private partnerships (PPPs) to promote a culture of risk prevention and spread insurance benefits through nationwide assistance programmes such as Prospera, which provides conditional cash transfers to assist six million families;
— Waiver of agent certification for microinsurance to allow mass distribution;
— Technology leverage to accept mobile transactions, digital signatures and simplified policies.

Lessons learnt

— The achievement of scale and costs reduction (for acquisition, operations and claims) is essential for profitability.

— Mobile technology is as crucial for scale as IT is for efficient operations. However, a microinsurer must deploy and monitor a corporate physical presence for the education and enrolment of customers at the point of sale.

— Product design must be aligned to client needs and risk profiles to provide good customer value at a reasonable cost.

— Active participation required in market development by lobbying for regulatory changes.

— Investments in untapped microinsurance markets require patience and time to become profitable.

— A mass microinsurance provider runs the risk of growing too big too fast and its profitability can be undermined by a lack of regulatory reserves to support liabilities.

48 — Left to right:
Francois Forge, Head of Asia, Microinsurance and Emerging Consumer, AXA Asia, Hong Kong; Bilal Mughal, EVP Venture Design & Operations, Blue Marble Microinsurance and Internal Consulting, Zurich, Switzerland; Recaredo Arias, CEO, AMIS/GFIA, Mexico.

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Agenda

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5 November 2015

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Reaching the hardest to reach

Francois Xavier Albouy
Vice President,
PlaNet Guarantee,
France

Katerina Kyrili
Business Development
Manager Africa, BIMA,
United Kingdom

Gilles Renouil
Director, Microinsurance,
Women's World Banking,
United States

Facilitator
Francesco Rispoli
Senior Technical Specialist,
IFAD, Italy

Parallel session 10

The impact of regulation on market development

Introduction

Martina Wiedmaier-Pfister
Policy Consultant,
Germany

Discussants

Eduardo Morón
President, APESEG,
Peru

Geric Laude
Microinsurance Head –
Retail, Pioneer Life Inc.,
Philippines

Christabel Michel Banda
Executive Director,
Insurers Association of Zambia,
Zambia

Facilitator
Craig Churchill
Chief of Social Finance
Programme, ILO,
Switzerland

Parallel session 11

Closing the last mile through IT

Saurav Bhattarai
Advisor, GIZ,
Nepal

Gautam Bhardwaj
Co-Founder and Director,
MicroPension Foundation,
India

Olugbenga Owolabi
Chief Service Delivery Officer,
Cellulant Nigeria Limited,
Nigeria

Facilitator
Johanna Knoess
Project Leader, GIZ,
Germany

Parallel session 12

The role of actuaries

Actuarial data limitations in
Kwara Health Plan

Diederik van Eck
Actuarial Analyst,
PharmAccess Foundation,
Netherlands

Victor Aggrey-Fynn
Technical Advisor,
GIZ, Ghana

Michael Weilant
Milliman,
United States

Nigel Bowman
International Actuarial
Association, South Africa

Facilitator
Denis Garand
President, Denis Garand
and Associates, Canada

Parallel session 13

Client conversion and retention

Upselling on Credit Life –
Allianz Indonesia experience

Yoga Prasetyo
Head of Allianz Life Indonesia,
Indonesia

Converting freemium
customers at scale

Tughral Amir Turab Ali
Head of Africa,
MicroEnsure, Kenya

Client retention models –
Examples from South Africa

Namahadi Martin Kgoale
Head of Sales, Hollard,
South Africa

Facilitator
Doubell Chamberlain
Managing Director, Cenfri,
South Africa

Parallel session 14

Academic research 2

Using a cluster analysis
of rainfall in Ghana to
create a drought trigger for
index insurance

Askar Choudhury
Professor, Katie School,
Illinois State University,
United States

Measuring the impact of
educational insurance games
on index insurance take-up

Rahel Legesse Diro
Research Staff Associate,
Columbia University,
United States

Does index insurance help
households recover from
disaster? Evidence from
IBLI Mongolia

Veronika Bertram-Hümmer
PhD Researcher,
German Institute for Economic
Research, Germany

Facilitator
Glenn Harrison
C.V. Starr Chair, Robinson
College of Business,
CEAR/GSU, United States

Parallel session 15

Takaful

Reaching the masses
through microtakaful

Hassan Scott Odierno
Partner, Actuarial Partners
Consulting, Malaysia

Is there a need for takaful
microinsurance? Evidence
from Sri Lanka

Anja Erlbeck
Ph.D. Candidate / Advisor,
GIZ, Germany

Potentiality of microtakaful in
Bangladesh: Experience of Prime
Islami Life Insurance Limited

Kazi Mohammad Mortuza Ali
CEO, Prime Islami Life
Insurance Limited, Bangladesh

Facilitator
Sabbir Patel
Senior Vice-President,
ICMIF, United Kingdom

Parallel session 16

Strategies to develop inclusive insurance markets

How can donors and develop-
ment agencies support the
development of inclusive
insurance markets?

Neal Estey
Engagement Manager,
Cenfri, South Africa

Promoting an inclusive
insurance market:
Philippines' experience

Dante Portula
Senior Advisor,
GIZ, Philippines

Facilitator
Lemmy Manje
Technical Officer,
International Labour
Organization, Zambia

Parallel session 9

Reaching the hardest to reach

This session examined segments of the market that are difficult to insure. Presenters agreed that it is necessary to research the profile of potential customers to tailor products to their needs and interests. A particular focus in this session was women, who form a vastly underserved market. Reaching more women with products catering specifically to their requirements would expand the microinsurance market in addition to aiding development.

Difficult-to-reach customers

Difficult-to-reach markets exist for many reasons, and present a number of challenges for the insurance industry (see Figure 23).

Sometimes potential customers do not buy insurance because they lack the knowledge of how insurance works and what its value is, while others are unaware that the market exists. Still others lack trust in the insurance market, or would like to buy the product but find it unaffordable. There are also problems on the supply side, where the segment of the population is too expensive to reach or where it is too difficult to collect premiums.

These obstacles demonstrate the importance of an effective distribution network to reach low-income people – a network of representatives who can approach the hard-to-reach segments and act as their financial advisors by educating them about insurance and how to make the most of it.

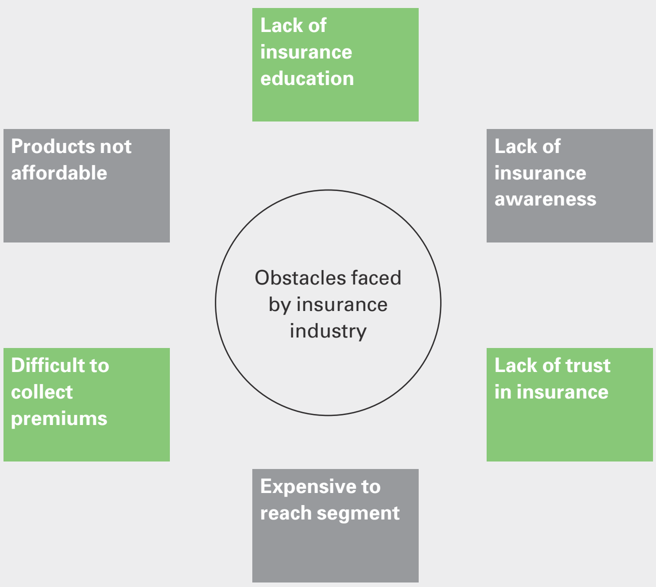
Box 5

When interacting with people in remote areas who are unfamiliar with financial services, it must be kept in mind that:

People will not remember what you said. They will not remember what you did. But they will remember how you made them feel!

Source: Gilles Renouil, Women's World Banking, quoting American poet Maya Angelou (1928-2014) to underscore the need to make insurance a positive emotional experience.

Figure 23
Challenges of difficult-to-reach markets
What is the core problem?



Source: Kyrili, Katerina. Presentation "Pioneering microinsurance: reaching the hardest-to-reach markets". 11th International Microinsurance Conference 2015.

BIMA, PlaNet Guarantee and Women's World Banking have approached the difficult-to-reach markets focusing on customers and using a mix of technology and in-person service to keep the product affordable and the process simple. They are able to widely deliver their products to customers by partnering both with private companies and public development organisations alike.

Such collaboration can also help determine how many poor people (such as people with an income of less than two dollars a day) a micro-insurer is reaching – for example by keeping in touch with government programmes that track people qualifying for certain poverty assistance benefits.

Focusing on women

One hard-to-reach segment apparent in multiple types of insurance across the world is women. While women tend to invest more of their income in their family's health, education and well-being, they also account for the majority of the poor and the unbanked worldwide: sixty per cent of the working poor who earn less than US$ 1 a day are women.

By targeting women as part of the large numbers of unbanked people in developing economies, insurers can significantly advance social and family well-being. This advancement can lead to measurable economic growth. Women's World Banking points out that:

— By 2030, the insurance industry is expected to earn up to US$ 1.7 trillion from women alone – with almost half the amount stemming from only ten emerging economies (She4Shield IFC);
— The global economy has missed out on 27% of GDP growth per capita due to the gender gap in the labour market (IMF, Sept 2013), and it is foregoing twelve trillion extra in GDP growth by not achieving gender parity in a best-in-region scenario (McKinsey, Sept 2015);
— If the credit gap for women-owned SMEs is closed by 2020, incomes per capita could be 12% higher on average across the BRIC[5] and the next eleven countries by 2030 (Goldman Sachs, March 2014).

Products that aim to reach the hardest-to-reach must be tailored to this specific segment of the market targeted. Research shows that low-income women are most concerned about health and education, which demonstrates their role as the caregiver in the family. Women's goals are to build assets for the benefit of their families. They are receptive to savings and insurance products that are consonant with their role as savers in the household.

Moreover, their savings are often put towards healthcare – not only for their children but also for maternal health issues too – so there is a market for microhealth insurance products for women. Because women, particularly in developing or conservative countries, face mobility constraints and cannot easily access bank branches, there is a need for technology to deliver savings and insurance products with an emphasis on confidentiality and convenience. A successful product aimed at women must therefore address health, the family's needs and long-term goals.

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49 — Francois Xavier Albouy, Vice President, PlaNet Guarantee, France.

50 — Gilles Renouil, Director, Microinsurance, Women's World Banking, United States.

5
Brazil, Russia, India, China and South Africa.

Parallel session 9
Reaching the hardest
to reach

To serve the hardest-to-reach with a financial product best suited for this segment, products must go through certain stages of development. The product must be designed based on research into real clients' needs and with consideration to client eligibility and product accessibility.

A good example of such a product is the Women's World Banking's Caregiver policy. It provides hospital cash that pays a fixed per diem that can be used to pay any costs that arise in connection with hospital visits. Health emergencies are the number one reason that women name for liquidating savings or decapitalising their business. Having a health insurance product enables women to protect the assets they have created to help secure financial stability.

Caregiver is also tailored to specifically meet women's needs. Women tend to prioritise their family's health over their own, with one exception: hospitalisation due to delivery. The product is thus designed to provide a hospitalisation benefit of US$ 21.12 per day for up to 30 days (in the example of Jordan). It also has no exclusions for pre-existing conditions and no limitations for pregnancy coverage.

Caregiver (Women's World Banking)

Number of people insured
Over 1.2 million

Insured risks
Hospital cash

Number of countries
5

Premium (indicative)
US$ 1–2 per month

Once a financial institution has created a suitable product, the product must then be marketed, the brand made known and potential clients educated in its use. The end result is a product that an underserved segment, such as women, can use to mitigate financial distress caused by unexpected events affecting the health of a woman or her family.

Lessons learnt

— Segments are hard to reach because of demand difficulties (for example when there is a lack of potential customer trust in the insurance market or a customer would like to buy a product but finds it unaffordable), or supply issues (such as when it is too expensive to reach the segment of the population or too difficult to collect premiums).

— While women as caregivers tend to invest more of their income in the family's health, education and well-being, they account for the majority of the poor and unbanked worldwide and are underserved by insurers.

— Women have more mobility constraints than men, so technology should be used to provide them with savings and micro-health insurance products with an emphasis on confidentiality and convenience. A product for hard-to-reach customers must have the right balance of premiums and benefits, and it must be marketed and the clients educated as how to use it.


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51 — Francesco Rispoli, Senior Technical Specialist, IFAD, Italy.

Parallel session 10

The impact of regulation on market development

Regulations are intended to foster market development while protecting consumers. The intention of a specific framework for microinsurance engagement is twofold: to increase supply, with more insurers and distributors offering more and better products, and to ensure that more low-income clients are served and satisfied with the product value (see Table 3). This session looked at the status, benefits, objectives and impact of microinsurance regulation by reviewing three country case studies: Peru, the Philippines and India. It also triggered a discussion about emerging regulatory lessons in these and other countries.

At the moment, 17 countries have a dedicated regulatory framework for microinsurance, and another 22 are in the process of developing such a framework. Two strategic approaches can be taken for such a regulatory regime: the regulation of microinsurance as a distinct line of business that all insurers can offer, or the creation of a specific category of insurers permitted to offer microinsurance within such a framework. A combined approach is also possible.

A regulatory impact assessment departs from the underlying policy or strategy, and then looks at the regulatory approach taken and the supervisory measures introduced. It also considers regulatory updates and other regulations of the insurance regulatory framework and beyond. When assessing the impact of a regulatory framework in terms of a) more insurers and distributors, b) more and better products, and c) more and better satisfied clients, it also considers unintended consequences and attribution gaps.

Aims and benefits of a regulatory framework for microinsurance

Both strategic options aim at "incentivising insurers and ensuring broad-based access to microinsurance provided by the private sector, while protecting and motivating clients from the low-income sector by offering uncomplicated products, clarity and adapted processes".

Under the first regulatory approach – regulation of the microinsurance business – insurers benefit from certain incentives when selling microinsurance, such as easier registration of standard products, a wider range of options for distribution partnerships and straightforward training measures for agents.

The second approach – creation of a new provider category – sets lower entry requirements for microinsurance providers than for traditional insurers, while allowing for fewer operations. The provider can be a commercial company or a mutual. The lower risk category can accommodate providers that once were informal operators. It allows for new and smaller players and diversifies the provider landscape. In both cases, specific consumer protection requirements, such as a limit on exclusions or the requirement to use simple policy documents, are important supplements.

Case studies

Of the three countries studied, **the Philippines** has a comprehensive regulatory framework, using both business-line and specific-tier options dating back to 2006. Its microinsurance regulation clearly specifies the amount of coverage and other features of a microinsurance product, and sets down requirements for claims settlement and reporting along specific indicators. Cover limits for microinsurance were increased from an initial figure of roughly US$ 4,000 to approximately US$ 11,000.

Table 3
Approach of regulating the provider

What?	Why?
Lower entry requirements for providers: Microinsurance company, mutual or microinsurance broker — Philippines — Brazil — Cambodia — CIMA — (South Africa)	— Diversify provider landscape — Allow entry of new and smaller players — Formalisation of informal providers — Incentive to cater for low income — Lower risk category

Source: Wiedmaier-Pfister, Martina. Presentation "The impact of regulation on market development". 11th International Microinsurance Conference 2015.

Parallel session 10
The impact of regulation
on market development

Important incentives for providers include a specific agent category with less demanding training requirements, reduced capital requirements for providers with a 50 % share of their portfolio in microinsurance and faster product approval of standard products. Claims must be honoured within ten days.

The majority of life insurance contracts are marketed by the 22 microinsurance mutual benefits associations, the new provider category having been created in 2006. In addition to this, 42 out of 114 commercial insurers offer microinsurance-type products. With 30 million microinsurance policies, the success of the Philippines can be attributed to the continued adaptation of the regulatory framework and the broad acceptance of microinsurance business by insurers and intermediaries and, over time, clients as well.

The first microinsurance regulation passed in 2007, regulating microinsurance as a line of business, was adopted in Peru in 2009, As this first regulation had introduced a rather narrow and quantitative definition of microinsurance, it was later abolished.

In 2010, another regulation on the commercialisation of mass insurance was passed and has since appeared to have interfered with the registration of microinsurance products according to the respective regulation. This overlap in mass and microinsurance may jeopardise the consumer value of insurance purchases, as mass policies also have the protection requirements associated with microinsurance products: no exclusions or fees or deductibles and a settlement period of ten days for claims.

The difference between micro and conventional or mass insurance is not sharply delineated in Peru at the moment. Approximately 5 million insureds have microinsurance that does not fall within the scope of the dedicated microinsurance regulatory framework (such as "microinsurance in the wider sense"). The supply side is relatively concentrated, with seven of eighteen commercial insurers marketing products registered as microinsurance, whereby four insurers dominate. The predominant distribution channel for microinsurance in the wider sense is microfinance institutions accounting for a share of 84 %.

The insurance supervisor, in dialogue with the industry, has been working on an update of the microinsurance regulation in 2015 with plans to provide clearer incentives for insurers, recognising that adaptations are required in terms of greater flexibility in product restrictions and claim payment deadlines. It will also include a wider range of distribution options, for example via non-banking agents.

India was the first country to implement a comprehensive microinsurance-specific regulatory framework in 2005. Prior to this, the Rural and Social Sector Obligations had obliged insurers to offer insurance coverage to the rural population and social sectors (the poor), which were then complemented with the specific microinsurance legislation at a later stage. A simplified regime for product registration has been in place since 2005.

A new regulation introducing considerably higher coverage limits was passed in March 2015. With this new regulation, the variety of distributors recognised is much greater and includes microinsurance agents, non-profit channels such as NGOs or self-help groups and village shops. Today, the majority of microinsurance policies are found in subsidised government-sponsored social protection schemes, and the largest life insurer, providing approximately 90 % of life microinsurance covers, is owned by the state.


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52 — Left to right: Geric Laude, Microinsurance Head – Retail, Pioneer Life Inc., Philippines; Craig Churchill, Chief of ILO's Impact Insurance Facility, Switzerland; Martina Wiedmaier-Pfister, Policy Consultant, Germany.


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53 — Left to right: Eduardo Morón, President, APESEG, Peru; Christabel Michel Banda, Executive Director, Insurers Association of Zambia.

The 2015 regulatory update in India also allows the insurance of small enterprises (not just individuals), and provides that social security schemes do not count under the Rural and Social Sector Obligations from the year 2017/18 onwards.

Priorities of mutual interest

Panellists acknowledged that in their countries microinsurance product development had been initiated prior to the existence of a specific regulatory framework. Regulatory definitions of microinsurance later clarified the question of what qualifies as microinsurance and what does not. This is relevant from a regulatory perspective, particularly if a differentiated treatment of microinsurance is introduced in terms of less stringent compliance or more stringent consumer protection requirements for this business. However, in Peru, regulatory arbitrage has occurred because many insurers do not register their microinsurance products correctly.

From the insurer's perspective, however, differentiating between microinsurance and other customers is not a priority, as microinsurance products may also be of interest to middle-class households seeking simply-structured products for low premiums.

The diversity of distribution channels allowed is a crucial element for further market-deepening and a key task for microinsurance regulation. Insurers are calling for the approval of well-established distribution channels such as MFIs or cooperatives, and allowing widespread use of mobile payment systems. However, enabling insurers to use non-traditional distribution channels for microinsurance requires tight controls by the supervisor, without creating too great a burden for the insurer.

A major task for the regulatory authorities is to balance consumer protection requirements and insurer interests while allowing for the viability of products.

A point to consider in this process is the length of time allowed for microinsurance claims settlement compared to conventional insurance. Compliance with the deadline set for claims settlement has not been a challenge in the Philippines, whereas in Peru, especially in rural areas, the insurers reported it to be an obstacle, with fines as high as for traditional business.

There was consensus as regards effective regulatory support for market development requiring continuous and timely updates of regulatory frameworks. For this purpose, dialogues with the industry have brought good results in effectively framing regulatory redesign and keeping insurers on board.

Lessons learnt

- An effective regulatory regime for microinsurance can have a positive impact on developing and deepening the market. Policy choices motivate the industry, with a mixed approach of wider distribution, new tiers of underwriters, subsidies and compulsion.
- Delineation of microinsurance from conventional insurance is a task requiring ongoing regulatory attention. Increasing the cover limits for policies over time has proven important.
- A diversity of risk carriers can help broaden supply.
- Broadening the distribution options is crucial to the development of microinsurance.
- Product features require a careful balance between consumer protection and the viability of the business.
- Crafting and updating regulations requires a comprehensive and participatory approach.

Parallel session 11

Closing the last mile through IT

IT not only increases the efficiency of insurance operations but can also help to reach people who are in remote areas or otherwise out of bounds for traditional distribution. This session dealt with three examples of IT overcoming challenges that hinder the development and spread of microinsurance.

The transparency of processes and improvement of data quality are key aspects of an IT solution. They lend credibility to the product and help gain its acceptance.

Three examples of the last mile being closed in this way were presented: the first example, from Nepal, revealed how processes linked to health insurance could be improved using an open-source information system. The second, from Nigeria, showed how IT helped with the distribution of seeds and fertiliser subsidies, and the third, from India, showed how a pension and life insurance plan can reach people from the informal sector with the help of IT.

Using IMIS in Nepal

In the GIZ-supported Social Health Security Programme of Nepal, an open-source system helped to improve the organisation of services targeting the rural poor, starting with a pilot area in which 1.3 million people live. The coverage includes primary healthcare as well as hospital costs up to US$ 500 per annum for a premium contribution of US$ 25. The services are provided by public health facilities. Households are enrolled with the help of assistants.

IMIS (Insurance Management Information System) is an IT solution that was originally developed by the SDC (Swiss Development Centre) as an open-source solution for the health system in Tanzania and Cameroon. The system is a mix of paper and computer-based solutions, works online and offline and is designed for national insurance schemes. It can be easily adapted and customised to other regions and contexts depending on the local needs. The database is stored on a central server and the system manages enrolment and claims processing. It integrates the use of mobile phones. Adaptation for implementation in Nepal took roughly two months. Nepal's state data centre was considered the most secure location for the server.

Social Health Security Programme (Nepal)

Number of people insured
1.3 million individuals (target of three districts where the pilot is under way)

Insured risks
Primary healthcare and hospital costs (up to US$ 500 per annum)

Premium
US$ 25 per annum

Mobile phones played a key role. They were used to take photographs of the insured during enrolment for transmission to the server. They were also used for feedback collection, notifications for renewal, balance inquiries, claims processing, an enrolment map (via GPS) and for QR (Quick Response) codes.

A QR code was generated containing all the key information and then printed on a piece of paper issued to the insured as a membership card. The challenges posed by IMIS are basically linked to the initial set-up costs such as servers, computers, mobile phones, internet connections and issues linked to data security.

In April 2015, the earthquake in Nepal severely affected the capital city, Kathmandu. Fortunately the server was well backed up, but a lot of health facilities were damaged. Service delivery became a major problem, but is slowly getting back to normal.

GES and e-wallet in Nigeria

In Nigeria, the distribution of seeds and fertilisers to farmers was beset with a number of problems, including the unavailability of reliable transaction records. The government is now using the latest technology to ensure that high-quality organic and inorganic fertilisers and seeds are available to farmers to increase production and incomes. The system also has a built-in microinsurance option.

The first step was to ask the Cellulant mobile commerce company to develop a mobile payment and services scheme known as e-wallet, which allows an individual to make electronic financial transactions. Since 2012, e-wallet has served an increasing number of farmers under the Growth Enhancement Support (GES) programme initiated by the government to bring 20 million subsistence farmers to food and cash-crop self-sufficiency.

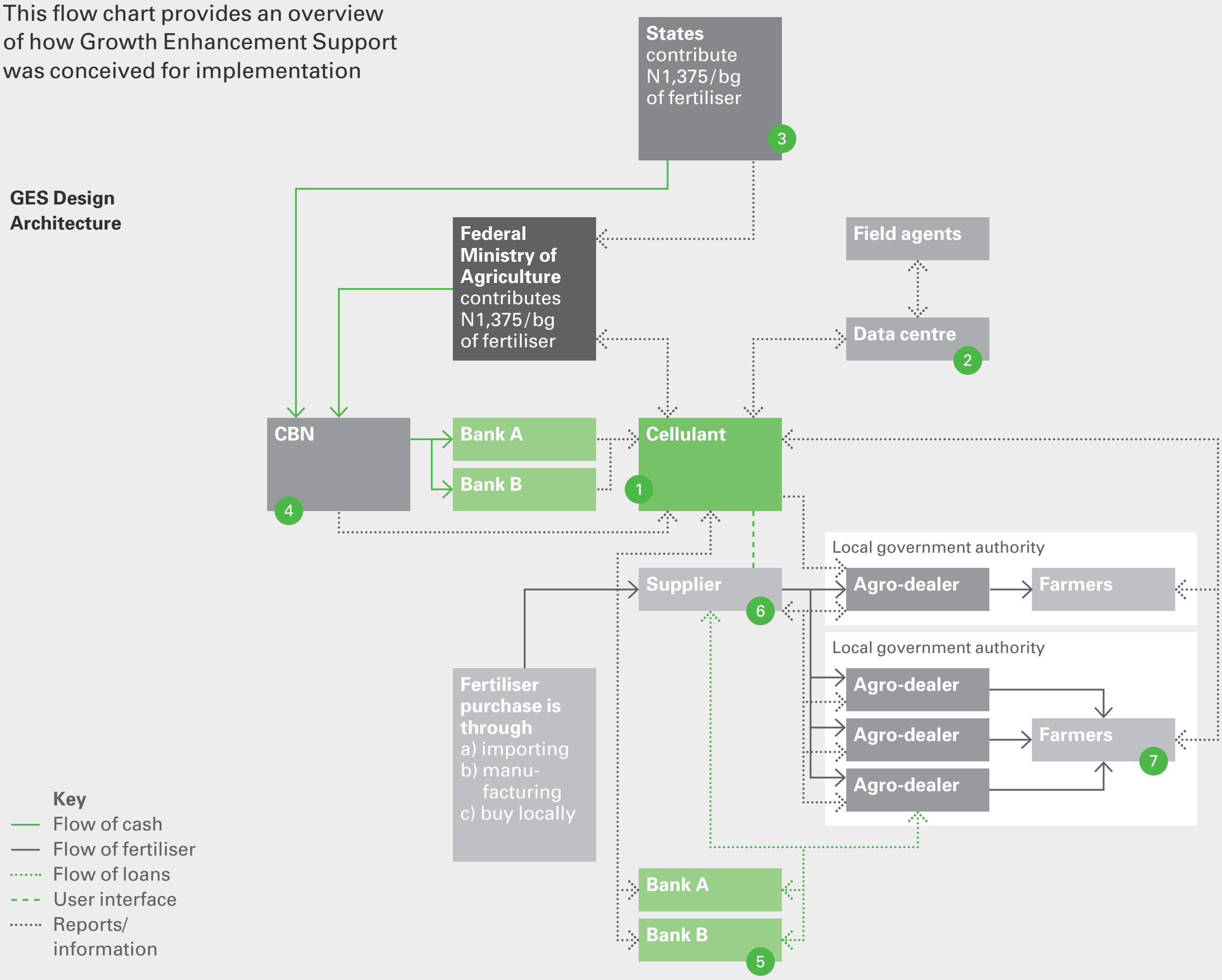
The GES was designed to:

- Relieve the government of fertiliser procurement and distribution but still to maintain control;
- Allow cooperation between private sector stakeholders such as banks, producers, distributors and agro-retailers;
- Place the farmer at the centre of this value chain.

This scheme provides farmers with fertilisers, seeds, pesticides, fungicides and insecticides at an affordable price along with access to credit facilities and information on improving productivity.

Today, GES e-wallet is the largest mobile account platform in Africa, with more than 14 million m-accounts (see Figure 24). It is a high-tech online and offline application for processing, mining, warehousing and authenticating using Oracle 12CDatabase cloud.

Figure 24
GES Technology Architecture
This flow chart provides an overview of how Growth Enhancement Support was conceived for implementation



1 **Cellulant**
Provides mobile technology to manage and monitor activities between the supplier, agro-dealer, banks and farmers.

2 **Field agents and data centre**
Field agents appointed by FMARD visit farmers in the field and register them for subsidy. Data centre digitises the data and gives it to Cellulant.

3 **States**
FMARD and participating states contribute half of the support.

4 **Central Bank of Nigeria**
CBN confirms to FMARD that money is in escrow and FMARD advises CBN to move money to GES trust accounts at commercial banks.

5 **Banks**
Banks lend money to agro-dealers at a special rate for the GES programme.

6 **Suppliers**
a) Suppliers appoint agro-dealers they want to work with.
b) Cellulant provides supplier with a user interface to manage agro-dealers.

7 **Farmers**
a) Cellulant loads farmer wallet immediately money is in the trusts accounts.
b) Farmers can only redeem within their LGA.

Source: Owolabi, Olugbenga. Presentation "Growth Enhancement Support Scheme (GES): the Cellulant Experience". 11th International Microinsurance Conference 2015.

Parallel session 11
Closing the last mile
through IT

The implementation involved setting up a system called NAPI (Nigeria Agriculture Payment Initiative). The biggest problems at the beginning were identifying and registering farmers and their correct phone numbers before unique identity cards could be issued for financial transactions.

NAPI has a built-in insurance option. Of the 650,000 participating farmers, 60,000 have so far signed up for insurance. The identity and location of the farmers are tracked, which makes it easier for the government to monitor the allocation of funds.

giftapension.com in India

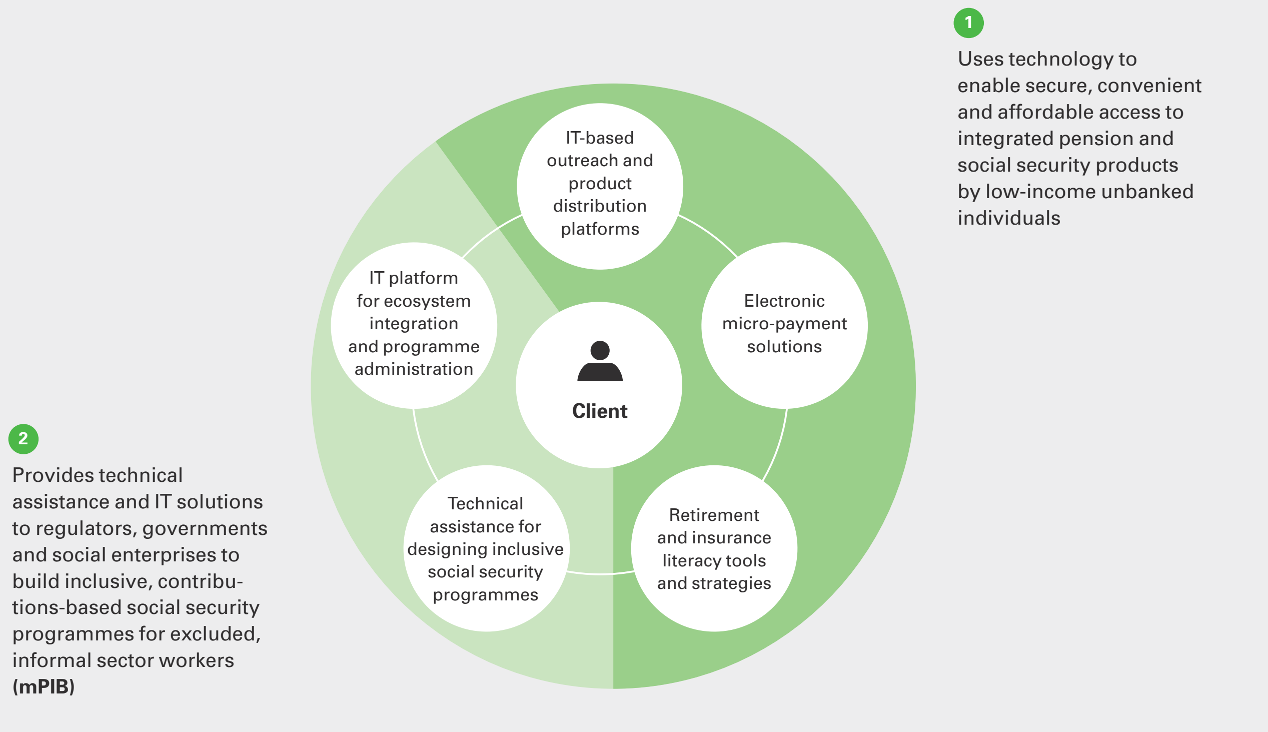
In India, an integrated social security inclusion scheme is using IT to reach some 35 million people that work in the informal sector, in particular as home helpers, drivers, cleaners and gardeners. This disaggregated and hidden workforce is difficult and costly to reach through traditional distribution channels, as it does not belong to any particular group. Most of these people use savings and high-interest loans for emergencies such as health shocks, and face extended poverty when they stop working in their late 40s.

A non-profit R&D hub called MicroPension Foundation is now making an IT-based integrated product for health, disability and illness insurance as well as liquid savings for known future expenses and emergency loans available to them (see Figure 25).

In this project, the key innovation was to use a website (www.giftapension.com) to replace insurance agents with the generally well-educated employers of home help via four steps:

1. Educate your helper
2. Enrol your helper
3. Contribute
4. Complete formal documentation

Figure 25
MicroPension Foundation



Source: Khanna, Parul. Presentation "Integrated social security inclusion for India's 35 million home helps". 11th International Microinsurance Conference 2015.

This distribution channel has zero costs, it depends exclusively on the willingness of the employers to spend time with their helpers on financial education and help in the enrolment process via the internet.

Since a soft launch in October 2014, approximately 25,000 employers have visited the website. Some 8% of them registered themselves and 26% of those who registered gifted a pension. The Foundation is now in the midst of a four-step campaign to "radically upscale impact."

Lessons learnt

- Information technology can help overcome basic logistics problems, in particular during the enrolment process, and in data collection and claims processing.
- Open-source software is beneficial for two reasons: it is typically free of charge and can be adapted to different contexts.
- Software can help reduce the administration costs of insurance schemes and, in conjunction with mobile technology, can extend outreach but requires staff training and client education.
- Transparency and reliability are key issues that must be addressed in devising an IT solution.

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54 — Left to right:
Saurav Bhattarai, Advisor, GIZ, Nepal; Olugbenga Owolabi, Chief Service Delivery Officer, Cellulant Nigeria Ltd., Nigeria.

55 — Johanna Knoess, Project Leader, GIZ, Germany.

56 — Gautam Bhardwaj, Co-founder and Director, MicroPension Foundation, India.

Parallel session 12 The role of actuaries

The difference between conventional actuarial work and microinsurance actuarial work is similar to the difference between conventional insurance and microinsurance. In both cases, principles such as adverse selection and technical aspects such as rate making and reserving are the same and must be maintained. However, the context, situation and products offered are different for microinsurance and require an open mind from actuaries to adapt their approaches and exercise judgement in the face of missing or poor-quality data. This session reviewed a case in point and dealt with efforts currently under way to build actuarial capacity for microinsurance.

Training actuaries in Ghana

Actuarial supervision is critical for sound insurance operations. In Ghana, a lack of actuarial capacity posed a hurdle for the industry – not just its microinsurance branch – obliging it to rely on expertise from abroad. To fill the gap, the industry together with the regulator set up an Actuarial Capacity Development Committee to train more actuaries who meet international standards. The syllabus of the courses offered complies with the International Actuarial Association.

For the committee, it is important that these actuary trainees also gain an in-depth understanding of microinsurance. The Certified Microinsurance Expert course offered locally by the Frankfurt School of Management is a good solution.

As these efforts produce more trained actuaries in the country, there is a risk of an oversupply of young graduates, especially as some insurance companies may not be willing to invest in strengthening their actuarial functions.

Training actuaries takes time as they specialise in life or general insurance and there is no "light" actuarial function. Technically speaking, microinsurance must meet the same requirements as traditional insurance. Microinsurance actuarial capacity should therefore not be separated in an isolated bloc but rather in a complementary way with the rest of the insurance sector.

Support by the International Actuarial Association

The IAA is the worldwide apex organisation of professional country-level actuarial associations. It promotes professionalism in the industry and develops educational standards. Actuaries play a positive role in the stability of insurance markets.

Greater involvement of the actuaries is required for the microinsurance industry and for its development in emerging markets, but actuarial capacity is scarce in Africa. The more complex the product, the more exposed to risk an insurer is, and actuaries are highly involved in infrequent perils with long-term guarantees or high-capped benefits such as agricultural insurance. They are moderately involved in health and property insurance, and their involvement is low in frequent events with short-term benefits such as credit life and funeral products.

The strategy of the IAA for microinsurance is based on two pillars: developing qualified microinsurance technicians through the certification of educational programmes and supporting the recognition of qualified actuaries with microinsurance organisations and regulators.
The IAA works with the International Association of Insurance Supervisors (IAIS) among other institutions.

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57 — Left to right:
Nigel Bowman, Chair of Microinsurance Working Group, IAA, South Africa; Denis Garand, President, Denis Garand and Associates, Canada.

58 — Victor Aggrey-Fynn, Technical Advisor, GIZ, Ghana.

The IAA has released an instructional pricing tool for health microinsurance developed by Milliman which is freely available for download[6]. The purpose of this tool kit is educational; it should not be used as a substitute for qualified actuarial review as it is too simple. The spreadsheet comes with a user manual, including an appendix to explain mathematical concepts. The tool kit allows the user to define the covers or to integrate demographic variables. In the end, the tool provides a claim costs figure, with the possibility of integrating expenses and subsidies to calculate the commercial premium.

Actuarial data challenges in Kwara
Kwara is one of the poorest states in Nigeria, with a population mostly composed of farmers earning less than US$ 1.50 per day. PharmAccess Group's Kwara Health Plan includes basic primary care, maternal care including caesarean section, chronic care and intermediate surgery.

The annual premium is US$ 23 per person, and this premium is subsidised to 70% by the Kwaran government.

Pricing the product posed several actuarial challenges. In January 2014, the contribution asked of the end user increased from €1.00 to €2.50. This price change made some clients drop out of the programme, but not those who were more likely to use the service. The number of visits increased from 2.1 to 2.5 per year, with a larger proportion of clients using the product for maternal or chronic services. The payout per client dramatically increased: the result of which is known as adverse selection. An actuary needs to understand this dynamic when pricing the product.

Another factor is the demographic composition of the client portfolio. Women, and especially women of reproductive age, are overrepresented. An actuary would expect another case of adverse selection and high maternal costs for the programme. However, among the pregnant women enrolled in the programme, 64% did not deliver within the provider network. This could be explained by the travel distance in rural areas, or by cultural preferences. This case shows that a demographic indicator must be completed with knowledge of local behaviour patterns and cultural customs.

The last example relates to chronic care (see Figure 26).

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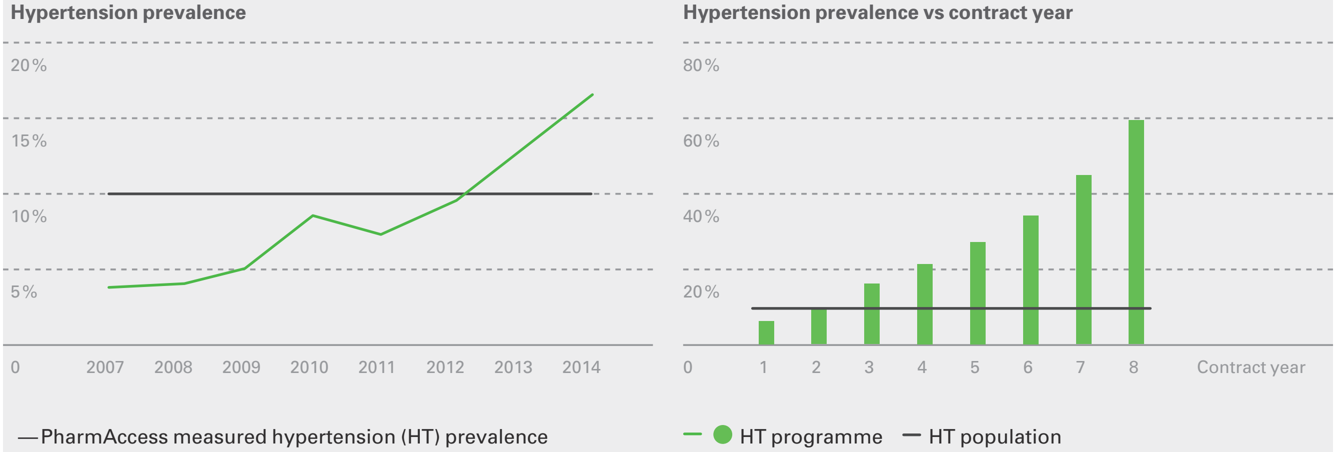
Available at www.milliman.com/insight/2015/Health-microinsurance-instructional-pricing-tool/?utm_source=milliman&utm_medium=website&utm_campaign=healthcare

Figure 26
Pricing chronic care



— PharmAccess measured hypertension (HT) prevalence in the population of Kwara State
— Number of HT diagnoses from insurance programme
— Right graph shows positive relation between number of HT diagnoses and contract year indicating adverse selection
— Number of HT diagnoses among new members is lower than population prevalence, as they are not yet aware of their disease

Source: Van Eck, Diederik. Presentation "Actuarial data challenges, Kwara State Health Insurance Programme". 11th International Microinsurance Conference 2015.

Parallel session 12
The role of actuaries

Most people in Kwara are not aware of whether they have hypertension or not, and there is no screening of pre-existing conditions for programme enrolment. However, people who are diagnosed with hypertension do renew their policy. Of the clients who have renewed the contract seven times, 60 % have hypertension in comparison to 10 % in the general population. This is another case of adverse selection, which is an important cost driver that must be monitored.

Technical expertise or pricing tools are important but insufficient. Actuaries need to understand and contextualise the data. Experience and judgement are crucial in overcoming challenges, such as lack of data, and anticipating consequences if product design or pricing evolves.

Kwara State Health Insurance Programme

Number of people insured
110,000 individuals

Insured risks
Basic primary care, maternal care including caesarean section, chronic care and intermediate surgery

Average premium
US$ 23 per annum, 70 % subsidised by Kwara State

Lessons learnt

— Actuaries can make a difference to microinsurance through rate making, the application of pricing techniques and, in collaboration with other professionals, risk financing, reserving and business monitoring.

— Microinsurance must apply the same actuarial tools and techniques as traditional insurance. There is a need to understand the context.

— Building local actuarial capacity is critical for market development. Compliance with international standards and education programme certification can ensure that actuarial students receive appropriate training.

— Actuaries not only need technical expertise and tools but also experience and knowledge of local customs. The data must be evaluated.

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59 — Michael Weilant, Principal and Consulting Actuary, Milliman, United States.

60 — Diederik van Eck, Actuarial Analyst, PharmAccess Foundation, Netherlands.

Parallel session 13

Client conversion and retention

This session examined how an insurer can better retain clients and convince them to upgrade coverage at a higher cost. Such a conversion often begins with having customers sign up for a free product to build trust in and knowledge of insurance. This can be followed up in two ways: balancing product understanding and customer reach by using call centres; using field agents who can build long-term relationships with clients.

Upselling on credit life

Upselling consists of convincing existing policyholders to voluntarily buy additional insurance products. Upselling begins with a customer who has bought a relatively inexpensive mass-market product such as credit life insurance. Credit life insurance is a policy that will pay off the policyholder's debt if that person dies.

Insurers speak of a credit life trap wherein a company can quickly penetrate the market, but then finds itself trapped and unable to make additional sales to customers. This is partly because there can be a low level of awareness of who the seller of the credit life policy is. For example, Allianz Indonesia discovered that 45% of its credit life customers were unaware of their insurance cover and that only 20% could correctly point to Allianz as their insurer.

The general strategy for upselling is to begin with group compulsory products, move to voluntary individual policies that have a higher premium, and then to more niche products. Upselling should be part of an insurer's overall long-term strategy (see Figure 27).

One way to sell voluntary products is to have customers tick a box on the policy sheet to choose to purchase additional insurance that comes along with information about their existing policy. Allianz believes that disconnecting insurance from loans is the key for renewals and building loyalty. There should be an efficient renewal process, tailored products of interest to customers, and scalable low-cost awareness building tied in with sales and collection.

The most important factor in successful upselling, however, is partnering with the right groups. In Allianz Indonesia's experience, partners with "the right DNA for success" are the ones that demonstrate a high level of trust in the insurer's capabilities. Unlike partners who do not deliver, good partners are more focused on value proposition enhancements than commission income. What drives them is having insurance as part of their customer value proposition.

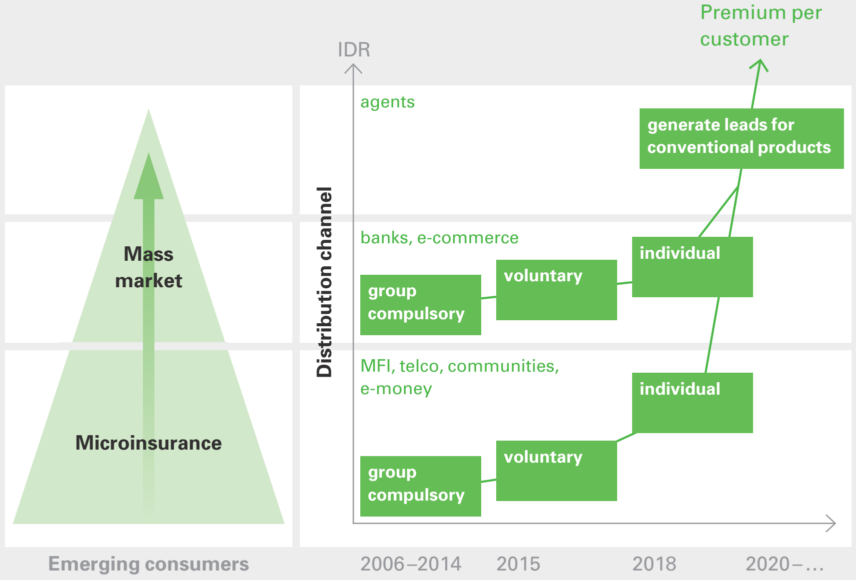
Allianz Indonesia upselling pilots

People insured
12,500

Insured risks
Accident, hospitalisation and housing

Premium range
US$ 1.6–12 per year

Figure 27
Reason for Allianz focusing on upselling



To bring Allianz' long-term strategy "grow with customers" to life.

Source: Prasetyo, Yoga. Presentation "Upselling on credit life: Allianz Indonesia experience". 11th International Microinsurance Conference 2015.

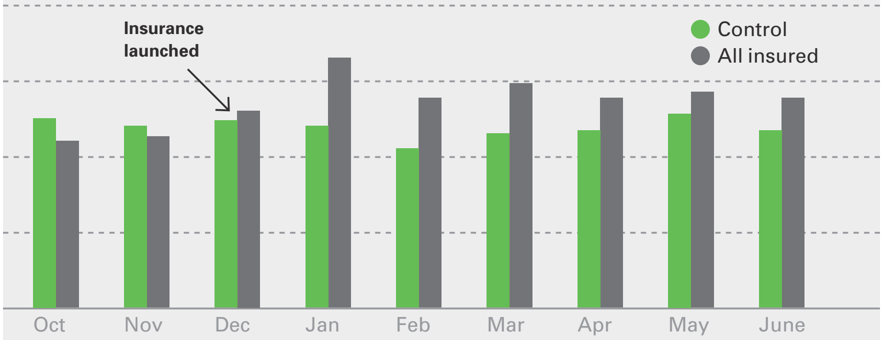
Converting freemium customers at scale

A freemium insurance product is one that uses a pricing model where the initial policy is freely provided but money is charged to remove limitations or increase coverage. One example is a product by MicroEnsure that provides free life, accident and hospital cash covers up to US$ 2,500 when the mobile phone user tops up US$ 2. The greater the account top-up, the greater the benefits earned. The customer can then choose to pay an extra US$ 1 a month to double the cover (up to US$ 5,000 in life/accident and hospital insurance), and can buy additional cover for a family member or additional types of cover.

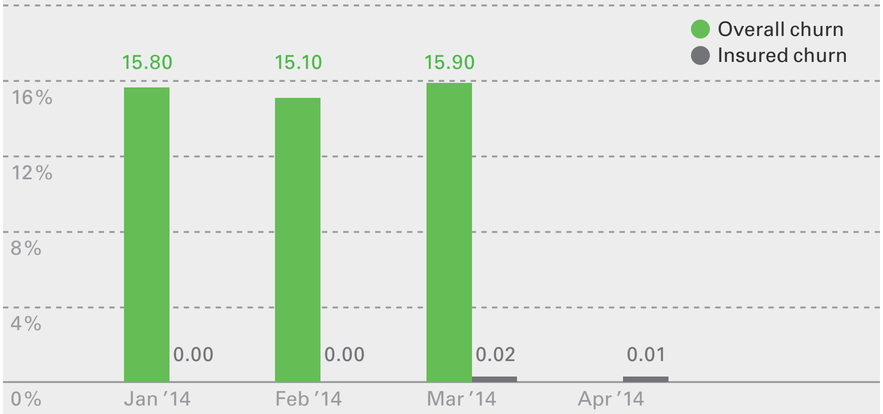
Freemium is the dominant model for mobile insurance. MicroEnsure built and operated the first freemium product with an MNO, Tigo Ghana, in 2010. It has since been offered by four other providers as well, and has expanded to 18 countries. It has worked well for MNOs and has dramatically increased microinsurance penetration and financial inclusion (see Figure 28).

Figure 28
Free product impact in 2014
Increased ARPU and decreased churn leads to an excellent return for the MNO …

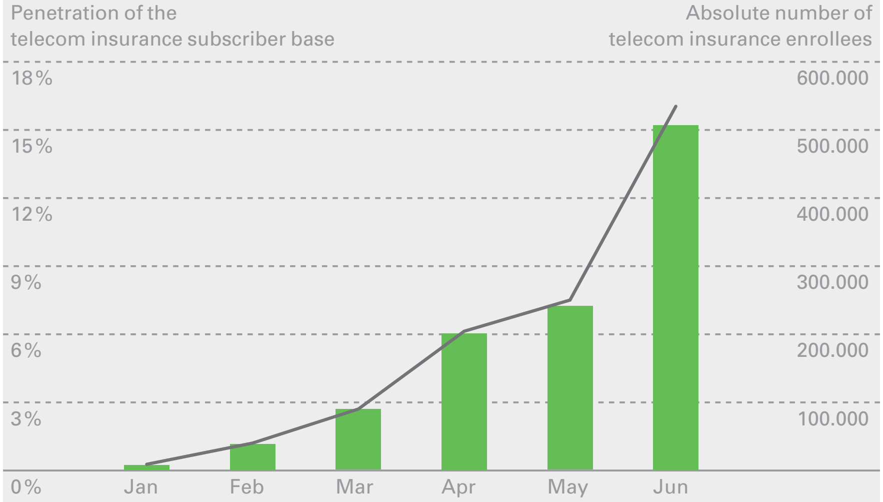
Average recharge per user (ARPU) – relative development since insurance launch



Churn rates



While financial inclusion and insurance penetration skyrocket as claims are paid …



Source: Ali, Tughral. Presentation "Converting freemium customers at scale". 11th International Microinsurance Conference 2015.

61 — Yoga Prasetyo, Head of Allianz Life Indonesia, Indonesia.

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To convert freemium customers to paying customers it is necessary to balance the per-unit cost of greater reach (extending from the low end with the field agent to the high end with SMS) with greater product understanding, where the field agent is at the high end of being able to deliver a better-informed customer. The optimum balance can be reached by employing a call centre. This allows the product to be explained by a real person and can reach three times as many potential customers per day than a field agent. By using an in-house call centre, the insurer has a more effective and cost-efficient approach than by employing a field agent with greater control of scripts and information quality. This results in significant cost savings and accelerates the break-even process.

Client retention in South Africa

The use of field agents remains key in retaining clients. Field agents do have some significant drawbacks, including the fact that selling insurance is not a frequent-transaction model and the cost of the agent reduces the value that can be provided to the customer, thus resulting in lower benefits. However, they do provide benefits that are unavailable in other approaches. Conventional insurers and mass insurance and microinsurance providers continue to rely on field agents to distribute products. Among them is Hollard, South Africa's largest privately-owned insurance group.

Hollard has discovered that the opportunities for improving client retention lie in the value chain. By uncovering all the touchpoints in the value chain – such as marketing services, fulfilment, premium collection and policy administration – an insurer can identify not only the opportunities for additional products to market but also the value destroyers, that is, factors that may cause clients to leave.

Hollard found that a key method of improving client retention is to ask former policyholders why they left the scheme. They found that 70% of the customers who left cited affordability as a major reason. Affordability is not just about the absolute amount of the premium owed, but also about the flexibility of the insurer in receiving irregular payments. One way of increasing flexibility is to implement a pay-day management system so that the customers can pay when they are able to. By using a propensity to pay model, Hollard is able to determine the ability of a person to pay the premium. This then allows Hollard to offer clients specific payment plans that will suit them best.

At Hollard, the field agent has proven to be the best way of allowing the company and its products to grow with the client. The identification of numerous touchpoints allows the insurer optimised use of the value chain and ensures that the customers are satisfied and have all their insurance needs met. The field agent's role is crucial in this process, helping the insurer understand how to avoid customers having an experience which may cause them to abandon the company, and how to sell them additional policies.

Lessons learnt

- The general strategy for upselling should begin with compulsory group products, move to voluntary individual policies and then to more niche products.
- To avoid the credit life trap, insurance must be disconnected from loans to improve renewals and focus on helping them upgrade their insurance protection.
- To convert freemium customers to paying customers, the per-unit cost of greater reach (for example SMS) must be balanced with the ability to deliver greater product understanding (for example field agent). A call centre can provide an optimal balance.
- The field agent is the best way to allow the company and its products to grow with the client.


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62 — Tughral Amir Turab Ali, Head of Africa, MicroEnsure, Kenya.

63 — Namahadi Martin Kgoale, Head of Sales, Hollard Insurance, South Africa.

64 — Doubell Chamberlain, Managing Director, Cenfri, South Africa.

Parallel session 14 Academic research 2

This session presented research work on index insurance from three perspectives: modelling, client education and impact on recovery after a shock.

Using cluster analysis of rainfall to create a drought trigger

Maize farmers in Northern Ghana are exposed to a variety of risks. In particular the amount and timing of rainfall during the growing season have a major impact on crop yield. Index-based insurance has the potential to protect these farmers and reduce their vulnerability.

How to create the proper index? This requires demonstrating correlation between the actual yield and the index and determining the payment threshold. This research uses cluster analysis to find the optimum trigger and the level of rainfall deficit that will indicate a drought and have a significant impact on the crop.

The research is based on maize yield data obtained from the Ministry of Agriculture of Ghana and rainfall data obtained from weather stations in four districts of Northern Ghana. The analysis shows that, aside from rainfall, the sea surface temperature (SST) has an impact on crop yield. SST is known to fluctuate with El Niño episodes, a natural phenomenon which can disrupt the weather, provoking tropical cyclones, drought and floods in different parts of the planet.

The cluster analysis groups high rainfall together with high yields, and low rainfall together with low yields, creating clusters of homogeneous observations. This allows determination of the relevant trigger for the insurance using an objective method. Based on data from a 14-year period, this research demonstrates a sufficiently strong statistical correlation between rainfall and maize yield to allow the creation of an index-based insurance scheme. Cluster analysis furthermore appears to be a useful approach for identifying objective triggers for payouts.

Educational games and insurance take-up

Is index insurance viable at scale? So far, most programmes have relied on expensive premium subsidies or mandatory insurance as part of a popular subsidised plan. Therefore, scalability is constrained by donor budgets. Donors are looking for alternative ways to boost demand for insurance that are less costly, and client education may be one of them.

This research is embedded within the Harita/R4 programme in Ethiopia, where insurance is voluntary and not linked with credit. Farmers are given the possibility of paying the premium in cash, while the poorest households can work in risk-reduction activities instead of paying the premium in cash. The research evaluates the impact of financial education on insurance take-up for the subset of clients who are not eligible for paying with labour.

In this randomised controlled trial, individuals receive US$ 5 that they can allocate to several different options: they can take it home, place it in an individual savings account, place it in a community savings scheme or buy index insurance. Participants were also introduced to index insurance and the principle of basis risk was explained. A month later, all households in the study villages were offered a chance of buying index insurance, whether they had participated in the game or not. In addition to the game, all villages were exposed to marketing activities to stimulate index insurance demand.

65 — Askar Choudhury, Professor, Katie School, Illinois State University, United States.

66 — Rahel Legesse Diro, Research Staff Associate, Columbia University, United States.

67 — Glenn Harrison, C.V. Starr Chair, Robinson College of Business, CEAR/GSU, United States.

68 — Veronika Bertram-Hümmer, PhD Researcher, German Institute for Economic Research, Germany.


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The result of the educational intervention was very positive, as cash purchase (rather than payment with labour) increased by 11% and the amount of insurance purchased increased by 45%. However, the study only examined one period of commercial purchases, so that the long-term impact of the games on demand remains to be demonstrated. However, this example shows that education games can have a positive impact on commercial demand, especially for better-off farmers who were not eligible for the insurance-for-work programme. Games can be an effective marketing strategy for encouraging farmers to pay for insurance and transition out of the insurance-for-work programme.

Does index insurance help households recover from disaster?

This study took place in the context of the Index-Based Livestock Insurance in Mongolia. In 2009/10, there was an extreme winter storm in Mongolia, known there as a dzud, which caused mass livestock mortality. This once-in-50-years dzud affected almost 90% of herders and caused the worst livestock losses ever recorded.

The research uses data from a household survey conducted between 2012 and 2015 in three different stages. The goal was to assess the effect of the insurance payout after the 2009/10 dzud on the households' livestock recovery. To do this, the researchers took advantage of the IBLI programme phase-in and compared insured households with comparable households in provinces where IBLI was not available.

The results show an overall positive effect of insurance. Herders who purchased IBLI and received a payout in 2010 had a larger herd size in 2011, 2012 and 2013 (see Box 6).

Box 6

IBLI (Mongolia)

In the year of the disaster …

— insurance was available in 4 (out of 21) provinces

— many were insured, e.g. in Uvs province 22% of herding households

The average insured herding household …

— insured 100 livestock with a value of US$ 900

— paid US$ 15 insurance premium

— experienced 30% livestock losses

— received US$ 220 indemnity after the winter disaster in 2010 (equivalent to 24% of the losses with a threshold of 6%)

Source: IBLI project Implementation Unit, 2012.

In 2014, the treatment effect was still positive but no longer statistically significant. Interestingly, when asked how they used the indemnity payment, not a single household answered that it used the money to buy new livestock. Instead, households bought food and other household necessities (73%), purchased livestock fodder and repaired shelters (22%), paid back a loan (15%) or education and health expenses (14%).

It therefore appears that the indemnity payment helped affected households to smooth consumption. They were less likely to be forced to slaughter or sell their livestock and were able to borrow from local banks during and after the disaster.

Lessons learnt

— When designing index insurance, statistical (cluster) analysis is a useful and objective method for determining a relevant trigger.

— Educational games are an effective marketing strategy which can boost insurance take-up. This is an interesting alternative to costly premium subsidies, as donor budget constraints limit insurance programme scalability.

— Insurance indemnity payments have a positive impact on asset recovery for affected households – even two or three years after the shock.

— Households use the indemnity payout to smooth their consumption.

Parallel session 15 Takaful

This session discussed how takaful and microtakaful work, using two examples from Malaysia and Bangladesh. A PhD study carried out in Sri Lanka about the need for takaful was then presented to show what motivates people to buy takaful.

Takaful is an insurance solution based on Islamic principles. According to Islamic principles, riba (interest), gharar (uncertainty) and maisir (gambling) are forbidden activities. Takaful is based on a cooperative system where participants agree to donate small amounts of money to a fund. The fund then reimburses them in the case of loss. Shared responsibility is the basis of takaful, which can also be purchased by non-Muslims.

Also of interest to non-Muslims

Malaysia today is the leading country for takaful and microtakaful. The key feature in takaful is trust. Everything stays within the takaful fund. Of the forbidden activities, the uncertainty is the major challenge. This is resolved by the risk being borne by the fund and paying the insurance company a fee; there is no underwriting surplus.

In Malaysia, non-Muslims also buy takaful. The Muslim/non-Muslim ratio of members is 60/40.

Takaful is more successful in personal lines than commercial lines (see Table 4). The reason is that takaful addresses the personal need of an individual to comply with Islamic rules when purchasing insurance cover.

Success factors in Malaysia are linked to the fact that the insurance industry is already very developed in this region. It was built on the middle class and formed where takaful developed.

The extension of takaful into microtakaful requires cooperation with the microfinance industry, in particular the Islamic microfinance sector, which is already well developed in countries such as Indonesia, Bangladesh and Sudan.

The distribution network for takaful, which is a well-developed agents' network, will not work for microtakaful as it is too expensive. Microtakaful looks at options for offering products in connection with Islamic microfinance loans. The value proposition of microtakaful involves:

— The satisfaction of needs by covering Islamic microfinance loans in case of default;
— The addition of value by returning a surplus; and compliance with sharia principles.

In many Muslim countries, regulators are starting to develop new takaful regulations. The awareness of the need for this Islamic solution is growing.

Table 4
Malaysian general insurance and takaful market – current takaful market gap

Class of business	Total market* (RM millions)		Takaful % total market	
	Gross	Net	Gross	Net
Medical and health	1,007	925	0.5%	0.4%
MAT	1,631	373	3.0%	1.8%
WC&EL	251	236	4.3%	3.6%
Others	1,428	794	6.4%	4.6%
CAR&Eng	698	198	9.4%	7.0%
Fire	3,202	1,789	13.3%	13.2%
Motor	9,139	8,350	14.0%	12.7%
PA	1,467	1,258	14.3%	14.0%
Total	**18,823**	**13,923**	**11.4%**	**11.1%**

*Total general insurance and takaful premium

With the exception of medical and health, takaful is relatively weak in commercial lines where multinational insurers have global expertise.

Source: Odierno, Hassan Scott. Presentation "Reaching the masses through microtakaful". 11th International Microinsurance Conference 2015; ISM General Insurance & Takaful Statistical Yearbook, Financial Year 2014.

69 — Anja Erlbeck, Ph.D. Candidate/Advisor, GIZ, Germany.

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Getting stakeholders on board

The second presentation was from PILIL in Bangladesh.

Microinsurance in Bangladesh is offered through three channels:

— The formal sector, operated by conventional insurance companies, takaful operators, banks and telecommunications companies;
— The non-formal sector, operated by the microfinance industry and NGOs;
— The public sector, served by the Palli Karma Sayahak Foundation.

The most common microinsurance products are term life and credit life insurance. The personal assets of low-income people are unlikely to be covered.

Prime Islami Life Insurance Limited (PILIL) offers microtakaful products in this context (see Table 5).

Micro life (PILIL)

Number of people insured
37,990 individuals (in 2014)

Insured risks
Life and pension schemes

Premium range
BDK (taka) 2,400 (US$ 30.36) to 12,000 (US$ 151.80) per annum

PILIL has worked on a new product called Group Term Family Takaful (Karmajibi Kalyan Bima). This is a life insurance product for insured who go abroad to work and insure their families for the event of their death.

To develop its products, PILIL made an agreement with BRAC and Milvik in 2014. BRAC is one of the largest NGOs providing microfinance products. Milvik is a Sweden-based multinational company that acts as a service provider and assists in procuring premiums, claim processors and technical service providers. A group microtakaful agreement with these stakeholders was made and then extended to the telecommunications sector, where Robi, one of the largest telecommunications operators with 40 million users in Bangladesh, was added to the agreement.

Table 5
Features of PILIL microtakaful products

	Small savings assurance plan	Prime Islami deposit pension scheme	Two-payment deposit pension scheme
	MUKTO BIMA	PIDPS	KALYAN BIMA
Type of plan	Endowment plan	Endowment plan with alternative option of annuity	Anticipated endowment with option of annuity
Policy term	10 & 15 years	10 & 15 years	8, 10, 12, 14, 16, 18 & 20 years
Age of assured at commencement of policy	Min. 18 years Max. 50 years	Min. 18 years Max. 50 years	Min. 18 years Max. 52 years
Maximum age at maturity	60 years	60 years	60 years
Mode of payment	Monthly/quarterly/half-yearly/yearly	Monthly/quarterly/half-yearly/yearly	Monthly/quarterly/half-yearly/yearly
Maximum sum assured	Tk. 200,000/– ($2,500)	400,000/– ($5,000)	500,000/– ($6,250)
Monthly instalment	Min. Tk. 50/– ($0.63)	Min. Tk. 200/– ($2.50) Max. Tk. 1,000/– ($12.50)	Min. Tk. 200/– ($2.50) Max. Tk. 2,000/– ($25.00)

Source: Ali, Kazi Mohammad Mortuza. Presentation “Potentiality of microtakaful in Bangladesh: Experience of Prime Islami Life Insurance Limited”. 11th International Microinsurance Conference 2015.

Parallel session 15
Takaful

Riba is the key

How important is sharia compliance to the users? There is a lack of statistical data, but a new field study was conducted in Sri Lanka which showed that the major barrier for households in purchasing conventional micro life insurance is the issue of interest rates (riba), as their reputation is at stake in the case of "haram" behaviour. Aspects that encourage people to purchase microtakaful products are the terms and conditions and the fact that no interest is involved (see Box 7).

The study concluded that interest is relevant. However, religious people are less likely to purchase insurance than non-religious people. Microtakaful can improve access to insurance for those who are concerned about interest.

Knowledge of microtakaful is fragmented. The people surveyed understand the interest aspect, but the mutuality and solidarity concept involved tends to be less known. Affordability and trust are also key drivers.

Box 7

Characteristics of takaful microinsurance

— Based on the concept of **social solidarity,** cooperation and mutual indemnification. It is a pact amongst a group that agrees to donate contributions to a fund that is used to jointly indemnify covered losses.

— Elimination of **Gharar** (uncertainty): donations, causing transfer of ownership to the fund, are voluntary to mutually help in the case of a loss without any pre-determined monetary benefits.

— Investments are sharia compliant, which prohibits investments in **Haram** industries and requires the use of instruments that are free of **Riba** (ursury)

Source: Erlbeck, Anja. Presentation "Is there a need for takaful microinsurance? Evidence from Sri Lanka". 11th International Microinsurance Conference 2015.

Lessons learnt

— In Malaysia, takaful is well developed alongside the traditional insurance industry, but microtakaful requires development and other distribution channels to reach the poor.

— The Islamic microfinance industry is an important partner for the development of microtakaful.

— Regulatory authorities are increasingly accepting microtakaful and are providing adequate regulation.

— Takaful and microtakaful development relies on a general awareness of insurance.

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70 — Left to right: Sabbir Patel, Senior Vice-President, ICMIF, United Kingdom; Hassan Scott Odierno, Partner, Actuarial Partners Consulting, Malaysia; Kazi Mohammad Mortuza Ali, CEO, Prime Islami Life Insurance Ltd., Bangladesh.

Parallel session 16

Strategies for the development of inclusive insurance markets

Protecting low-income households against financial shocks through insurance is essential for alleviating poverty and continues to be on the development agenda of most countries. Creating this demand among the excluded requires an effective supply (risk carriers and distributors) and a supportive environment (regulators and policymakers). Collaboration among these and other stakeholders such as donors and enablers, in a holistic and systematic approach, is accelerating inclusive markets in a number of countries. This session reviewed three cases.

An enabling framework

The process of developing an inclusive insurance market in Zambia began in July 2009, and a comprehensive plan was prepared six months later. Market penetration was low, particularly for low-income segments. Affordability was not much of a concern, and it was usually a lack of product understanding that prevented people from purchasing insurance – although they often cited a lack of funds as an excuse for not buying products.

The plan to deepen the microinsurance market focused on both the supply and the demand side. Measures to strengthen demand included efforts to increase consumer education and financial literacy. On the supply side, technical assistance was provided to microinsurance policy suppliers for capacity building, product development, business case assessment and market research. In addition to this, a consultation process began for the determination of each stakeholder's needs and thus help create an enabling regulatory framework.

Market developments seem to confirm the multi-stakeholder approach taken in Zambia: the number of insured increased from less than 100 in 2009 to more than 3 million in 2014. At the same time, new insurance branches have emerged, and the market now provides coverage in the life and credit life sectors as well as against risks in agriculture. A certain concentration has been observed in credit life insurance markets where 85% of gross written premiums are earned.

Overall, the products offered seem to provide good customer value with claim ratios ranging between 40% and 50% in credit life and life insurance. However, claims ratios in agricultural insurance raise concerns about the long-term viability of insurance schemes as they reach almost 191%.

Achievements were also observed on the supply side, where the number of insurers increased from two to nine during the 2009–2014 period. Distribution channels have been broadened. Initially, microinsurance contracts were sold only by microfinance institutions and banks. Now there are new channels such as unions, community agents and agribusinesses.

71 — Left to right: Dante Portula, Senior Advisor, GIZ, Philippines; Neal Estey, Engagement Manager, Cenfri, South Africa.

72 — Lemmy Manje, Technical Officer, ILO's Impact Insurance Facility, Zambia.


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Parallel session 16
Strategies for the development
of inclusive insurance markets

A national priority

The Philippines' approach to developing an inclusive insurance market began in 2010. It involved eight groups of stakeholders – legislators, regulators, government agencies, insurance providers, intermediaries, support institutions and donors – in a step-by-step concerted effort over five years to accomplish prioritised tasks. These ranged from crafting a national strategy and defining microinsurance to institutionalising it in the Insurance Code and setting up a separate division for its inclusion in the Insurance Commission (see Figure 29).

The strategy has produced results both in business volume and industry participation. The number of microinsurance contracts grew from 4.9 million in 2009 to 31.1 million in 2014. Mutual benefits associations (MBAs) have the largest share of the market (44% of the volume and 56% of the premiums). Of the 34 MBAs, 22 are classified as micro MBAs.

Currently, 164 microinsurance products are approved and being distributed by 170 licensed microinsurance agents. The regulatory framework clearly defines the characteristics as a product that must be categorised as microinsurance. It also provides a less stringent process of licensing for microinsurance distributors than for conventional insurance distributors.

A study of the disaster recovery process after Typhoon Haiyan showed that microinsurers managed claims settlements well, supported by the Insurance Commission which relaxed documentation requirements and allowed satellite imaging for damage assessment.

The typhoon also served as a reminder that acquiring adequate reinsurance coverage is essential for microinsurers, particularly if further market development calls for new players and innovative products.

Since the financial inclusion project began, policymakers and supervisors have undertaken five sets of market-deepening regulations: Enhanced Micro, Distribution, MicroAgri, MicroHealth, and MicroPreNeed (pension, education and memorial plans).

Figure 29
Actions taken in microinsurance

National strategy

Regulatory framework

Magpaseguro para Protektado
A roadmap to financial literacy on microinsurance

Alternative dispute resolution framework

2010
— Microinsurance defined
— Microinsurance providers identified
— Branding and slogan conceived
— Formalisation process clarified

2011
— Microinsurance agents/brokers created (CBOs included)
— Prototype product developed
— Contracts simplified

2012
— Performance standards formulated
— Reporting standards established
— MBA chart of accounts revised

2013
— Trainings on MI advocacy and seminars
— MI advocacy roadshows

2014
— Alternative dispute resolution mechanism established

☑ **MI institutionalised in the insurance code**

☑ **MI division established in the insurance commission**

Source: Portula, Dante Oliver. Presentation "Promoting an inclusive insurance market: the Philippines' experience". 11th International Microinsurance Conference 2015.

Patience and persistence

Consultations on inclusive insurance markets began in SADC (Southern African Development Community) countries[7] when cases of funeral insurance abuse came to light in 2003.

The process of negotiating a regulatory framework for microinsurance, led by South Africa, took almost up to 2013. It has tested the patience and persistence of stakeholders and the donor community (see Figure 30), and has shown that efforts must be aligned with the relevant stage of market development.

Here, too, a multi-pronged approach to incorporate the concerns of all stakeholders has proven effective.

Major obstacles to market-deepening exist on the demand side. Although the risk experience of households is relatively high, potential customers rely mainly on self-management strategies such as selling assets or borrowing money. Only 1.7 % of the respondents mention insurance as a risk-coping instrument, whereas 22.8 % opt for selling assets and 46.4 % for borrowing money. Creating awareness on the consumer side seems to be a major priority in building inclusive insurance markets in Southern Africa.

Lessons learnt

- A multi-stakeholder approach has worked well in strategies to develop the three main elements of an insurance market: demand, supply and regulatory environment.
- Distribution coupled with consumer education is a key for deepening the insurance market. It requires collaboration among policymakers, regulators, industry players and donors.
- Government involvement and participation in the process is crucial, particularly for health and agricultural insurance.
- Future market development calls for wider involvement and participation of reinsurance companies in microinsurance.
- Efforts for further market development must be aligned with the respective stage of market development accompanied by effective monitoring systems.

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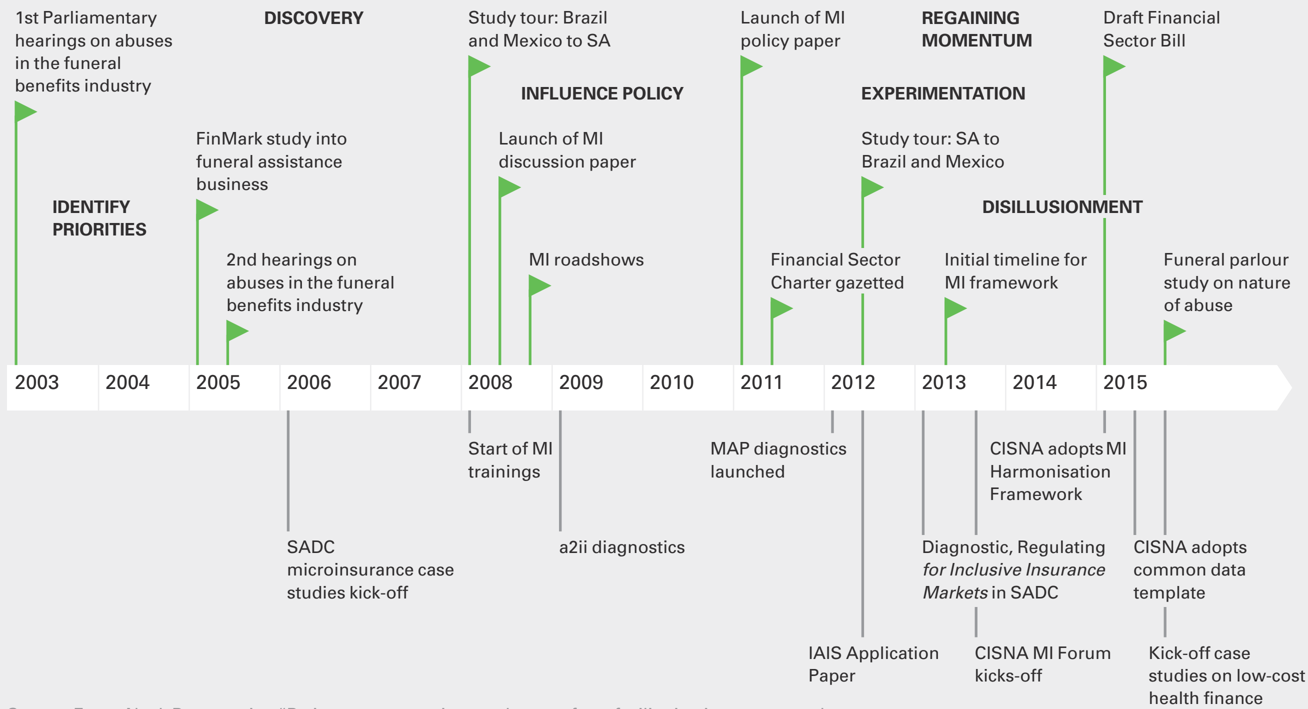
Angola, Botswana, Congo (DR), Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

Figure 30
Microinsurance market development in South Africa



Source: Estey, Neal. Presentation "Patience to pursue impact: lessons from facilitating insurance market development in Southern Africa". 11th International Microinsurance Conference 2015.

Agenda

Day 3 afternoon sessions 5 November 2015

Plenary 4

Distribution

Richard Leftley
CEO, MicroEnsure,
United Kingdom

Jagath Alwis
Director (Technical) /
Chief Technical Officer,
Ceylinco Insurance,
Sri Lanka

Mandla Michael Shezi
Managing Director,
Hollard Insurance,
South Africa

Gilles Renouil
Director, Microinsurance,
Women's World Banking,
United States

Facilitator
Brandon Mathews
Managing Director,
Stonestep,
Switzerland

Closing

Closing and next steps

The industry's response to the G20 financial inclusion targets

Recaredo Arias
CEO, AMIS/GFIA,
Mexico

The way forward

Michael J. McCord
Chair of the Microinsurance Network, President,
MicroInsurance Centre,
United States

Welcome to the 12th International Microinsurance Conference

Jagath Alwis
Executive Committee Member,
Insurance Association of Sri Lanka

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

Plenary 4 Distribution

This session addressed the various distribution channels that insurers use to reach clients, including mobile networks hosted by telecommunications companies, the high-touch field-agent model, and an MFI. Presenters pointed out many aspects of the distribution system: from finding a channel with suitable attributes to using the channel to convert clients to higher-premium policies.

Sought-after attributes

Many different kinds of distribution channels have been tried, but not all have been successful. This is because it is very difficult to find a distribution channel that encompasses three most-sought-after attributes:

1. It has a strong brand trusted by the local community;
2. It has points of sale that are accessible;
3. It allows cash transactions or other kinds of payment.

An organisation's distribution approach may not have all of these attributes. For example, a cooperative organisation built around savings can have a great brand and the ability to sell products widely because the cooperative members are embedded in the community. However, they may have a negative tendency to conduct cash payment transactions because they have been trained not to give money to people outside the group.

Another example is the Anglican Church, which has tens of millions of members across Africa. Here again there is a distribution problem because selling insurance competes with donations to the Church.
To avoid the clash with donations, the Church could employ a separate collection system but this would make the product uneconomical and unaffordable. The high per-transaction expense can accumulate rapidly for a large volume of small payment amounts.

Mobile networks as distribution channels

One solution to finding a distribution channel with all three of these characteristics is to use the mobile phone network of a telecommunications company. The brands are trusted, customers have their phones with them all the time and the policies can be paid for with airtime.

This is a different kind of model than selling standard insurance because the purchaser may look at buying the policy in a way similar to purchasing other things on their phone, such as a ring tone. This means the distribution channel must be similar to the one used for these other purchases: in price, simplicity and reliability.

This high-tech, low-touch way of distributing insurance requires a particular strategy for upselling higher-premium policies. One way is to have an outbound call centre that uses a customer data analysis – based on all the people who have signed up for free insurance – to predict who would be the most willing to buy more insurance. One call centre in Ghana, for example, was able to connect with about half the people it called, and of these approximately 80 % went on to buy a product after just a few minutes' conversation with the call centre agent.

After buying the product, the customers are texted the policy information along with a phone number they can use to obtain more information and to file claims. The payment method is then through airtime deduction, which is set up to deduct regular small amounts from the customer's account at virtually zero cost.

73 — Left to right: Brandon Mathews, Managing Director, Stonestep, Switzerland; Richard Leftley, CEO, MicroEnsure, United Kingdom; Gilles Renouil, Director, Microinsurance, Women's World Banking, United States; Jagath Alwis, Executive Committee Member, Insurance Association of Sri Lanka; Mandla Michael Shezi, Managing Director, Hollard Insurance, South Africa.

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Educating potential customers

High tech. A key goal of a distribution channel is to move the customers from a low-premium, or even free, policy that reaches a mass market to one that has a higher cost and caters to niche needs. One of the purposes of free insurance is to educate customers about what insurance is and how it works. In this sense, the freemium model is based on games that people can buy for their phone.

The key element of distributing insurance is to get people to move past their misconceptions of insurance. Insurance is not just for rich people and is not too complicated to understand. Insurance can be bought simply and cheaply and meet the needs of everyone.

Having people experience free insurance is a marketing opportunity to show that claims can be submitted easily and will be paid back promptly. In India, for example, a million people a week have been signing up for free MicroEnsure policies. When people see that subscribers with the free insurance are getting their claims paid quickly, this serves as an advertisement for the product.

High touch. Hollard, South Africa's "all-purpose insurance and financial group" has a multiple-channel distribution infrastructure that enables it to most effectively choose approaches to best suit a target market. Its distribution capabilities span a number of channels, including agents and brokers, and partners such as affinity groups.

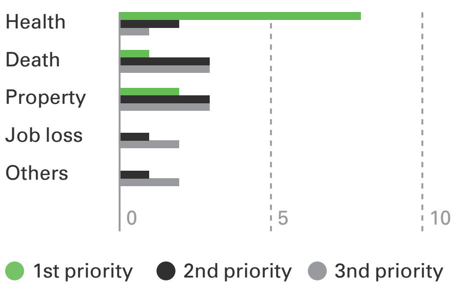
Hollard believes high-touch distribution is expensive if the clients cannot pay; if they can, an insurer can easily cover distribution costs. The key is to allow all kinds of payment methods. Distribution in this respect is not just about sales, but also about service and education. At Hollard, a policyholder is invited back after ten days for financial literacy training. However, the most significant contribution to the distribution's success for Hollard is fair and fast claims settlement: declined claims are an indicator of a clients' lack of understanding of the product.

Tapping into underserved segments

Over the years, MFIs have served as a cost-effective and suitable way to expand microinsurance into untapped market segments. A prime example is the Women's World Banking network of 38 financial institutions from 27 countries (see Figure 31).

Figure 31
Women focus on health and long-term goals

Risk management needs prioritised by the poor in 11 countries



Asia (Indonesia)	1. Health 2. Education 3. Religious ceremonies
Caribbean / Latin America (Dominican Republic)	1. Religious ceremonies 2. Education 3. Health
Africa (Malawi)	1. Education 2. Health 3. Food security

— Poor health / Illness
— Childbirth
— Death of husband
— Property loss/ Business interruption
— Divorce
— Domestic violence
— Old age
— Death

— Health
— Life
— Credit life
— Savings-linked
— Asset-protection

Our research shows that low-income women are most concerned about health and education, demonstrating their role as the caregiver in the family.

To be meaningful, a product must address health, family needs and long-term goals.

Source: Renouil, Gilles. Presentation "Women's World Banking." 11th International Microinsurance Conference 2015.

Established in 1979, Women's World Banking now reaches over 16 million low-income women entrepreneurs. To help address their main concern of family well-being, Women's World Banking has introduced a microhealth insurance product called Caregiver. The product was offered initially to some 50,000 MFI borrowers. It was launched in 2010 when Women's World Banking partnered with network member Microfund for Women (MFW) in Jordan, and became that country's first private health microinsurance offering. In the meantime, the product has been replicated and adapted in four countries.

Caregiver covers maternal health including all hospital stays during pregnancy, plus features that are critical to improving its outcomes: a cash benefit after hospitalisation that clients can use for a range of related needs: transportation to the hospital or replacement of lost revenue while their businesses have been closed.

More often than not, a distribution channel's success depends on the degree to which the product succeeds in meeting client needs. In the case of Women's World Banking, the MFIs often take the responsibility for settling simple claims to speed up the process. This is highly valued by clients and has strong marketing power.

Lessons learnt

— A suitable distribution channel should encompass three attributes: a strong brand trusted by the local community; points of sale that are accessible; the ability to transact cash or other kinds of payment.

— One solution to finding a distribution channel with all three of these characteristics is to leverage mobile phone technology. The brands are trusted, customers have their phones with them all the time and the policies can be paid for with airtime.

— A key goal of a distribution channel is to move the customers from a low-premium, or even free, policy that reaches a mass market to one that has higher premiums and caters to more niche needs.

— A distribution channel should be designed not just for sales but also for service and education.

— Microfinance institutions focused on serving the low-income market can help tap into underserved market segments because they have a personal relationship with their clients.

74 — Left to right:
Brandon Mathews, Managing Director, Stonestep, Switzerland; Richard Leftley, CEO, MicroEnsure, United Kingdom.

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Closing and next steps

The conference drew to a close with a presentation on the industry's global response to the G20 financial inclusion targets, an interactive session on participants' takeaway from the various sessions, and an invitation to the 2016 conference.

Helping achieve G20 goals

The Global Federation of Insurance Associations (GFIA) has been working since April with G20 officials to make room in the previously banking-led agenda for the role of insurance in meeting G20 3-i priorities: inclusiveness, implementation of decisions and investment for growth. With the 2015 G20 summit set for 15–16 November in Antalya, Turkey, the GFIA Vice-Chair, Recaredo Arias, brought the conference up to date on this lobbying. Among the key points made about how the insurance industry globally helps pursue the three priorities, inclusiveness had the top billing (see Box 8).

The GFIA pointed out in particular the industry's "engagement in micro-insurance and inclusive insurance and financial education initiatives". To elaborate this, a meeting with summit planners explored a number of themes with a special presentation on "Protection for calamity: insurance for the most vulnerable". Munich Re Foundation and the Microinsurance Network (MiN)[8] have worked closely with GFIA on lobbying the G20. MiN has since reported that the G20 leaders in their communiqué welcomed the work on financial inclusion and, focusing on the needs of smallholder farmers, rural women and youth, called for open access to payment, savings and credit services.

The way forward

The participants' attention was then drawn to what lies ahead in their own fields, operations and external environment. Michael McCord, MiN Chairman, asked the participants to answer two questions individually: what action will you take on the basis of what you learnt at the conference; and how do you predict the micro-insurance sector will change in the near future?

The audience's thoughts and ideas fell into four broad categories:

Insurance and financial inclusion

- Microinsurance is increasingly becoming a global issue, an important part of the financial inclusion picture. However, its progress depends on what practitioners can do locally to advance financial literacy among their clients.
- Financial education needs to be in terms of products being offered to clients. That is what they are interested in most to begin with.
- Understanding the product and recognition of customer value go hand in hand. Value for clients is sales plus service.

Improvement in operations

- The actuarial tool kit now available will be of great use and value.
- A closer look at the key performance indicators (KPIs) is a must for a good understanding of financial performance.
- Operating costs should be reduced by the increasing use of technology.
- Microinsurers need to expand beyond life insurance. Product development should be more focused and targeted to smaller niches of the market, for example the women's segment.
- Regulators need to create regulations that do not hinder progress in distribution.
- In agricultural insurance, the yield index is more important than other indices and can help design benefits of true interest to farmers.
- A closer look is also needed at more and more data becoming available by satellite for use in agricultural insurance, particularly for damage assessment.

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MiN will continue as an affiliate of the GFIA to lobby the 2016 G20 summit whose theme is "Building an innovative, invigorated, interconnected and inclusive world economy".

Box 8

Importance of financial inclusion

Financial Inclusion, understood as the proportion of individuals and enterprises that use **financial services,** is a fundamental element for promoting **inclusive growth,** since it brings the following benefits:

- Deepens financial markets
- Increases credit availability
- Allows poor people access to the formal economy
- Provides stability to the economic system
- Provide financial protection to families
- Diminishes transaction costs
- Increases system's resilience
- Grants financing to SMEs
- Increases system's aggregate savings
- Fosters capital accumulation
- Promotes efficient scarce resources allocation

Source: Arias, Recaredo. Presentation "The role of GFIA in helping to fulfil the G20 goals". 11th International Microinsurance Conference 2015.

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

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Growth and sustainability

- The Africa landscape study is full of ideas, particularly about trends taking shape in various markets. They can be put into practice to chart a course of accelerated growth and financial strength.
- Donors should focus more strongly on performance than merely on figures.
- Microinsurance is not an overnight task; it requires patience and persistence, and an ability to monitor symptoms and diagnose underlying causes. Use a bad year as an opportunity to do better the next time.
- Technology has been a game-changer in extending the reach of microinsurance through mobile and other channels. It will continue its game-changing role as it undergoes updates and innovations itself. In the evolution of microinsurance, technology will continue to help bring more volume but will also be instrumental in a change of focus to more value and range.

Role of government

- There will be more and better government involvement in the microinsurance sector.
- Aside from coordination with social protection schemes, there will be more PPPs to offer products to low-income people.
- Health insurance will continue to have an unmet demand in many markets, and will call for private sector solutions supported by government.
- Microinsurers will attract growing attention from governments to help with climate change adaptation and protection against weather-related disasters for vulnerable groups.

Welcome to Sri Lanka

The Insurance Association of Sri Lanka will host the 12th International Microinsurance Conference in Colombo 15–17 November 2016. Jagath Alwis, the Association's Executive Committee Member, made a presentation inviting participants to mark the dates on their calendars and attend the next conference.

At 95.6%, Sri Lanka has one of the highest literacy rates in the world, he said. Microinsurance has long been provided in the country by the public sector (social security schemes and products of the National Insurance Trust Fund) and the informal sector, as well as the formal insurance industry which has 27 insurers (see Box 9).

The island of Sri Lanka offers a lot to see and do to unwind from the conference, Mr. Alwis said. The beaches rank among the best in the world. There are heritage sites, such as Sigiriya, and tea estates on the way up to the hill country 2,500 metres above sea level, not to mention the wildlife parks and Singharaja Rain Forest.

In closing, Dirk Reinhard, Chair of the Conference Steering Committee, recognised the contribution made by the representatives of the host and supporting organisations as well as organisers and speakers who helped make the event a success. The conference attracted some 350 participants from 53 countries, he said, and one of the notable ways it stood out from previous conferences was that regulators from 27 countries were also in attendance.

Box 9

Sri Lankan insurance market

- Size of the insurance industry US$ 790 m. Life insurance market US$ 343 m and non-life insurance market US$ 447 m for 2014.
- Market consists of 12 non-life insurance companies, 10 life companies and 5 composite companies which are in the process of segregating to separate life and non-life companies
- Insurance penetration 1.03%
- Insurance density US$ 38 per person
- Growth of 2014 over 2013 –5.7%
- In the first half-year of 2015 over 10% growth recorded

Source: Alwis, Jagath. Presentation "Invitation to 12th International Microinsurance Conference". 11th International Microinsurance Conference 2015.

76 — Left to right: Michael J. McCord, Chairman, Microinsurance Network and President, MicroInsurance Centre, United States; Recaredo Arias, CEO, AMIS/GFIA, Mexico.

77 — Jagath Alwis, Executive Committee Member, Insurance Association of Sri Lanka.

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Field trip

Al Amana Microfinance

Dirk Reinhard

Microfinance organisations (MFIs) still represent one of the most important distribution channels for microinsurance. To offer conference participants an opportunity to observe and take part in its distribution efforts, Al Amana, Morocco's largest MFI, organised a field trip.

Al Amana – which means "Trust" in Arabic – was founded in 1997 following the country's first efforts to boost microinsurance. With around US$ 2.5 billion in total loans since its formation, the organisation now serves nearly 1.4 million clients (as at the end of 2013). Al Amana focuses on small entrepreneurs and artists to foster economic development on a small scale. The microloan provided by Al Amana may not be used for consumption. Around 70 % of the clients are women, as it is mainly the women in the households who decide on loans.

The field trip started in the village of "Dar Kaed" about one hour away from Casablanca. Approximately 1,500 people live here. Mrs. Nagat Adoudine and Mr. Issam Baoukalef are the loan officers in this region. Walking from door to door, they explain the loan as well as the embedded product of insurance or "assistance" (as Al Amana calls it). On average, they grant roughly 30 new loans per month.

When asked how much of a loan they needed, clients usually replied "How much would it cost to repay per month?" The average loan is roughly US$ 1,000 which is well below the maximum loan of US$ 5,000 allowed by Morocco's microinsurance regulation. The interest rate of around 20 %, however, did not seem to be a problem.

In the second part of the trip, participants met with Al Amana clients in a branch office in Casablanca to discuss their experience. Eight female clients attended the meeting. Their loan period, and therefore the length of time they have insurance, is usually 12 to18 months. All women use the borrowed money to buy products that they sell to make a living. Only one had a bank account.

The focus group represented a broad range of clients – from a young woman with a new-born child to an old lady who had just broken her foot but still wanted to meet with us.

"I did not know that I can call Al Amana for an ambulance when I broke my foot," said the old lady. So she took a taxi and paid for it out of pocket. "And more should be covered by the Assistance, also independently of the loan," agreed all clients in the discussion. When asked if they were happy with the product, all of them seemed to have had a rather good experience. One, sadly, had to ask for loan forgiveness due to diagnosed cancer.

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78 — Mrs. Nagat Adoudine and Mr. Issam Baoukalef, Al Amana loan officers, explaining the product to Mrs. Fatma Darif who lives alone with a son in Dar Kaed.

More coverage means higher premiums. But how much more could they pay? The question again made clear that the monthly amount to be paid is a key priority. Asked if US$ 5 per month would be feasible, all agreed. However, once the branch officer manager explained that this would amount to US$ 120 in two years, the amount seemed too high to all of them.

Microfinance is a success story in Morocco. Understanding client needs as well as trust in the organisation through personal contacts is key. However, this comes with a price tag: walking from door to door is time-consuming and expensive. To make the insurance a success, people need to understand what is covered and how to make a claim. The demand to complement microfinance with insurance is high. If costs can be brought down, clients will certainly benefit from insurance helping them maintain and increase their incomes.

Box 10

Main components of Al Amana Assistance

Mandatory; coverage only during the repayment period of the loan

Premium
US$ 1/month (family);
US$ 0.65 /month (single)

Benefits

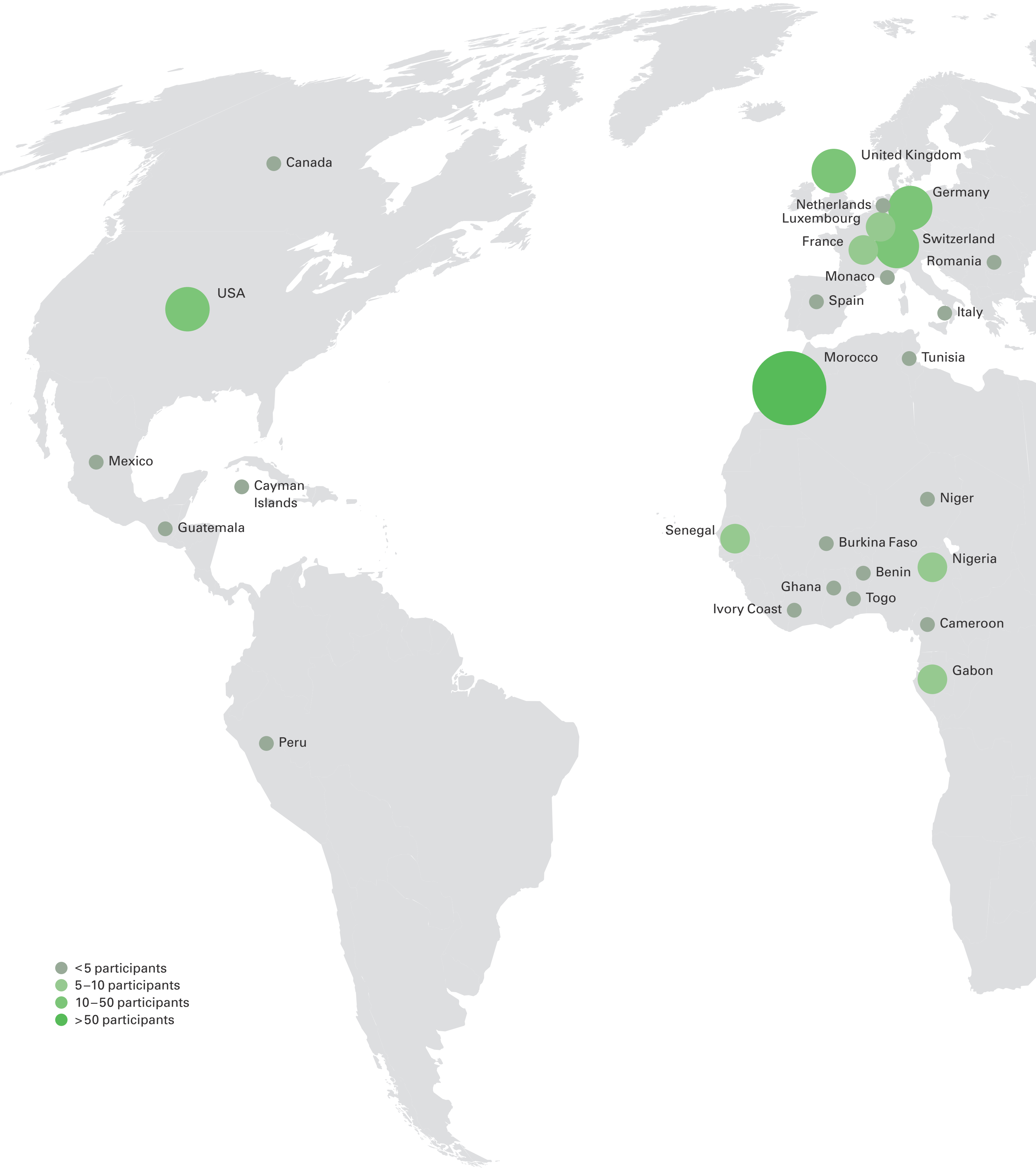
— Birth gift of US$ 30 per child
— “Loan forgiveness”: in the case of disability or death, the loan must not be repaid
— Accident: US$ 100–500
— Hospital cash (for more than 24 hours at the hospital): US$ 150–500 for 24 defined diagnoses, otherwise US$ 50–100
— Ambulance service
— Funeral expenses (no limit)


79


80

79–80 — Al Amana Microfinance clients in the focus group discussion during the branch visit.

Countries represented




Lebanon
Jordan
Egypt
Qatar
United Arab Emirates
Pakistan
Nepal
Bangladesh
India
Hong Kong
Thailand
Cambodia
Philippines
Sri Lanka
Central African Republic
The Democratic Republic of the Congo
Kenya
Rwanda
United Republic of Tanzania
Malaysia
Singapore
Indonesia
Zambia
Fiji
Swaziland
South Africa
New Zealand

Participating organisations

Bangladesh
Insurance Development & Regulatory Authority
Prime Islami Life Insurance Limited

Benin
Ministère de l'Économie et des Finances

Burkina Faso
Direction Nationale des Assurances

Cambodia
PKMI

Cameroon
ACTIVA VIE
Association des Sociétés d'Assurances du Cameroun
Ministry of Finance

Canada
Denis Garand and Associates
FADQDI
ID&CS
Microinsurance Centre

Cayman Islands
CCRIF SPC

Central African Republic
Direction des Assurances, des Banques et de la Microfinance
DNA Centrafrique

Congo, The Democratic Republic of the
Ministère des Finances

Egypt
EFSA
Federation of Microfinance
GIZ
Youth Businessmen Association

Fiji
Reserve Bank of Fiji

France
Acting For Life
ADIE
Agence Française de Développement
AXA
Grameen Crédit Agricole Foundation
Gras Savoye
Les Champs du Coeur
PlaNet Guarantee

Gabon
CIMA
Direction Nationale des Assurances

Germany
Access to Insurance Initiative
ERGO International
German Institute for Economic Research
GIZ
Munich Climate Insurance Initiative
Munich Re
Munich Re Foundation
UN University – EHS
University of Hohenheim
University of Mannheim

Ghana
GIZ

Guatemala
Jaume I

Hong Kong
AXA Asia

India
MicroPension Foundation

Indonesia
Allianz Life
Otoritas Jasa Keuangan
P.T. Reasuransi Nasional Indonesia
The World Bank

Italy
IFAD
World Food Programme

Ivory Coast
Making Finance Work for Africa

Jordan
Microfund for Women

Kenya
AB Consultants Limited
Afya Yetu Initiative
Family Bank
Insurance Regulatory Authority
MicroEnsure
Ministry of Agriculture, Livestock and Fisheries

Lebanon
Commercial Insurance
IBDAA Microfinance

Luxembourg
ADA
Grameen Crédit Agricole Foundation
Microinsurance Network

Malaysia
Actuarial Partners Consulting

Mexico
AMIS/GFIA
Aterna, Agente de Seguros y Finanzas
Compartamos Banco
Mercy Corps

Morocco
AL BARAKA
alAmana
ATTAWFIQ
AXA Assurance Maroc
CAT
Centre Mohammed VI de Soutien à la Microfinance
Compagnie d'Assurance Transport
Crédit Agricole
Direction Assurances et Prévoyance Sociale
FMSAR
FNAM
Gouvernement du Maroc, CMS
ibka Finance
JAIDA
L'Economiste
Les ECO
Les Inspirations éco
Maroc Assistance Internationale
MCMA - MAMDA
Medias24
MENAA FINANCE
Ministère de l'Économie et des Finances
Mustapha Attaaminat (Sarl)
Saham Assurance
Swisscontact
Wafa Assurance

Nepal
GIZ

Netherlands
Achmea
Achmea Foundation
PharmAccess Foundation
VU University Amsterdam

New Zealand
InsuredHQ Limited

Niger
Ministère de l'Économie et des Finances

Nigeria
Cellulant Nigeria Limited
Centre for Insurance and Financial Management Studies
National Insurance Commission
Niger Insurance Plc
Nigerian Insurer Association

Pakistan
GIZ
Jubilee Life Insurance

Peru
APESEG
FIDES
International Labour Organisation
Superintendency of Banking, Insurance and Private Pension Funds

Philippines
Cebuana Lhuillier Insurance Solutions
GIZ
Insurance Commission
Negros Women for Tomorrow Foundation Inc
Pioneer Insurance and Surety Corpora tion
Pioneer Life Inc.

Qatar
Daman Health Insurance Qatar

Romania
Financial Supervision Authority

Rwanda
Atikus

Senegal
Government of Senegal
International Labour Organisation
PlaNet Guarantee
Transvie
World Food Programme

Singapore
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South Africa
Ackermans
Cenfri
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Guardrisk Life Limited
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Inclusivity Solutions
International Actuarial Association
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PEP a Division of Pepkor Retail Limited
RGA Reinsurance Company
South African Insurance Association
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Spain
AXA MedLA

Sri Lanka
Insurance Association of Sri Lanka

Swaziland
Financial Services Regulatory Authority

Switzerland
CelsiusPro
ILO's Impact Insurance Facility
IndigoDigital AG
MicroInsurance Centre
Stonestep
Zurich / Blue Marble

Tanzania, United Republic of
Chamber of Commerce, Industry and Agriculture
Cooperative Development Commission
Financial Sector Deepening Trust
Institute of Finance Management
PharmAccess Foundation
Pride Tanzania
Social Security Regulatory Authority
TIRA

Thailand
The World Bank

Togo
ACB Consulting

Tunisia
Féderation Tunisienne des Sociétés d'Assurances
General Committee of Insurance
Tunisia Insurance and Reinsurance Company

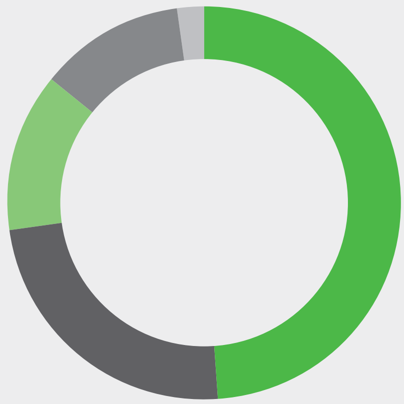
United Arab Emirates
Democrance
Munich Health Daman Holding

United Kingdom
ACE European Group
BIMA
Bloomberg LP
EY
GSMA
IAA Microinsurance Working Group
ICMIF
IFC
IFoA
LeapFrog Investments
MicroEnsure
SecureValue E.E.I.G
UNCDF
University of Oxford
Willis Group

United States
A.M. Best
Abt. Associates
ACE Group
Clark University
Columbia University
Georgia State University/CEAR
Global Insurance Consulting
IFPRI
Illinois State University
Katie School, Illinois State University
MicroInsurance Centre
Microinsurance Network
Milliman, Inc.
MMI Consulting, LLC
University of Kentucky / GlobalAgRisk
Wharton School, University of Pennsylvania
Women's World Banking
World Bank Group

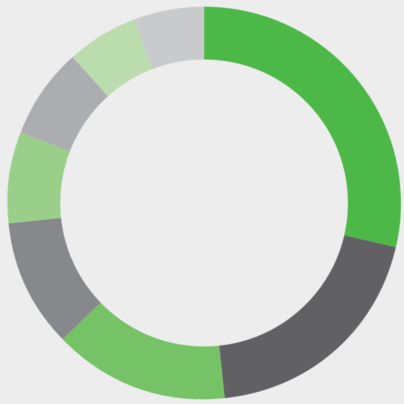
Zambia
Insurers Association of Zambia
International Labour Organisation
Mayfair Insurance Zambia Ltd.
Professional Insurance Corporation Zambia PLC

Figure 32
Number of participants per continent



Africa	49 %
Europe	24 %
Americas	13 %
Asia	12 %
Australia	2 %

Figure 33
Type of representatives



Insurance and finance industry	28.8 %
Donor agencies, development and international organisations	19.7 %
Government and regulatory bodies	14.4 %
Microfinance and microinsurance providers	10.6 %
Academics	7.6 %
Consultants	7.4 %
Media	5.9 %
Other	5.6 %

Acronyms

A2ii
Access to Insurance Initiative

AFD
l'Agence Française de Développement

AIDP
Agricultural Insurance Development Program

AMC
Association de Micro Crédit

AMIS
Asociación Mexicana de Instituciones de Seguros

APESEG
Asociación Peruana de Empresas de Seguros

ARC
African Risk Capacity

AYII
Area Yield Index Insurance

BRAC
Bangladesh Rural Advancement Committee

BRICS
Brazil, Russia, India, China and South Africa

CBHI
Community-based health insurance

CCRIF
The Caribbean Catastrophe Risk Insurance Facility

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

CHF
Community Health Fund

CIMA
La Conférence Interafricaine des Marchés d'Assurances

CNAAS
Compagnie National d'Assurance Agricole de Senegal

CVD
Cardiovascular disease

FONDEN
El fondo de desastres naturales (de Mexico)

FMSAR
Fédération Marocaine des Sociétés d'Assurances et de Réassurance

G7
The Group of Seven of the world's most industrialised nations: Canada, France, Germany, Italy, Japan, the United Kingdom and the United States (with the European Union also represented)

G20
The Group of Twenty, a forum for governments and central bank governors of 20 major economies

GDP
Gross domestic product

GES
Growth Enhancement Support

GFIA
The Global Federation of Insurance Associations

GIIF
Global Index Insurance Facility

GIS
Geographic Information Systems

GIZ / BMZ
Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation) / Bundesministerium Für Wirtschaftliche Zusammenarbeit (German Federal Ministry for Economic Development Cooperation)

GPS
The Global Positioning System

HCHC
Hygeia Community Health Care

IAA
International Actuarial Association

IAIS
International Association of Insurance Supervisors

IBLI
Index-Based Livestock Insurance

iCHF
The Improved Community Health Fund

ICT
Information and communications technology

IDR
Indonesian Rupiah

IFAD
International Fund for Agricultural Development

IFC
International Finance Corporation

ILO
International Labour Organisation

IMF
International Monetary Fund

IMIS
Insurance Management Information System

INDH
L'initiative nationale pour le développement humain

IT
Information technology

LMIC
Low- and middle-income countries

MAD
Moroccan dirham

MBA
Mutual benefits association

MCII
Munich Climate Insurance Initiative

MENA
Middle East and North Africa

MFI
Microfinance institution

MIS
Management information system

MNOs
Mobile network operators

MSME
Micro, small and medium enterprises

NAPI
Nigeria Agriculture Payment Initiative

NDVI
Normalised Difference Vegetative Index

NGO
Non-government organisation

OECD
The Organisation for Economic Co-operation and Development

OOP
Out of pocket expenses

PACE
Product, Access, Cost and Experience

PG
PlaNet Guarantee

PILIL
Prime Islami Life Insurance Limited

PPP
Public-private partnership

QR
Quick response

R&D
Research and development

SADC
Southern African Development Community

SDC
Swiss Development Centre

SEWA
Self-Employed Women's Association

SMS
Short Message Service

SST
Sea Surface Temperature

USD
United States Dollar

WHO
World Health Organisation

WISA
Weather insurance savings account

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Picture 61: Yoga Prasetyo
Picture 78–80: Dirk Reinhard

More than two billion people around the world do not have access to any type of protection, even though they are the ones most exposed to risk. Remedying this situation requires the involvement of a wide range of stakeholders – public authorities, the private sector, local bodies – to significantly increase the penetration of microinsurance in our countries.

Mehdi Tazi,
CEO, Saham Assurance,
Morocco

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