

Summary

Microinsurance Conference 2008

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Plenary 3 – Insurers going down market

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Microinsurance: An effective complement of microcredit solutions

Microinsurance approach requires to accomplish strategies to develop products, and design processes of distribution, collection, education and communication. This solution is focused to people of low income, which does not count on mechanisms of risk transfer through the conventional insurance market. In this way, it is important to understand that microinsurance differs completely from traditional insurance, and the products must be designed to fulfill needs of the objective population. Therefore, the most important issue to obtain a successful microinsurance is the continuity, which is only possible through its technical and economical liability.

A pilot case of microinsurance in Colombia shows that micro-entrepreneurs are interested on this kind of risk transfer products, and today there are about 70.000 clients in this program. The experiences of this case point out that microinsurance solutions must obtain financial profitability and social stability. In fact, the product is primary for the social stability, but it does not generate a marked impact on the insurance market. Estimations based on economically active population dedicated to formal and informal jobs, that belong to low socioeconomic levels in 13 main cities in Colombia, show that potential premiums of microinsurance would represent only 8% of the Colombia insurance market (approximately US\$350 million out of US\$4300 million).

The lessons of the pilot case shows that distribution and collection processes are clue issues to determine the final prize of microinsurance solutions. The design and implementation of these processes have required sharable development between microfinance institution and insurance company. In addition, the study case has reflected the great influence of communication, education and claim management strategies on the creation of insurance culture.

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This case have also shown that products must be simple. The product development has required creativity to identify covers that fulfill the needs of clients. In this task, it has been necessary to evaluate those events that have decisive influence on the continuity of micro-entrepreneur activities, in order to create suitable life and property products. So that, microinsurance products have been studied separately from other insurance portfolios, considering poor construction standards and uncertainty about mortality patterns in this segment of the population. This last issue has implied specific requirements of modelling and technical bases for pricing.

Finally, conclusions of the pilot case show that microinsurance complement in a effective and efficient way the microfinance solutions, because both contribute to sustainable development of micro-entrepreneurs. The response to this need of development protection can be accomplished through insurance and reinsurance markets with experience and financial capacity to design and offer suitable microinsurance solutions.

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Key messages:

- Microinsurance solutions should be based on product, distribution, collection, education and communication strategies.
- Microinsurance complement the microfinance solutions.
- Insurance and reinsurance markets count on experience and financial capacity to design and offer suitable microinsurance solutions.

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