

Navigating uncharted waters

Lessons so far and process guidelines for country-level
microinsurance development strategies

Presentation to 6th International Microinsurance Conference, Manila, 11 November 2010

Christine Hougaard



About FinMark Trust & Cenfri




- Independent DFID-funded trust established in 2002
- Mission: “Making Financial Markets Work for the Poor” in Africa, but with specific focus on Southern African Development Community
- **Sponsoring partner of the Azii**
- Theme areas:
 - FinScope
 - Housing finance
 - Credit
 - Consumer financial empowerment
 - Rural and agricultural finance
 - Retail payment systems
 - Insurance
- Further information available at: www.finmark.org.za or www.cenfri.org





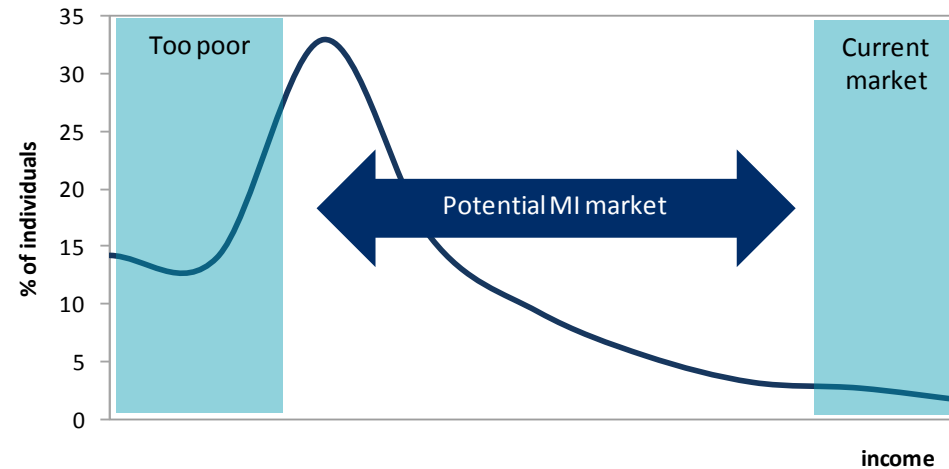
Purpose

- I have to develop MI
 - **Why, what and how?** 
- Aimed at anybody thinking about MI development in a country or region
- Country experience so far, **not** prescriptive
 - **Departure points:**
 1. Make the shoe fit
 2. Don't go it alone
 3. Don't try to take on too much



When does insurance turn micro?

- Low-income?
- Insurance vs. microinsurance?
 - Low premiums, low benefits
 - Group pricing, no underwriting
 - Renewable term cover
- Strategic implications
 - Different bottom line
 - Longer value chain



Strategic questions:

- 1. What role could microinsurance play in your country?**
 - Improving welfare
 - Catalysing critical services
 - The bulk of the market is MI
 - It's happening in any case
- 2. Why then have a collective effort?**
 - The dark side of MI
 - Not there yet
 - The sum is bigger than the parts

What?

What does the MI ecosystem look like?



Value chain: functions & stakeholders?



Technology, payments platform, product development

What does the MI ecosystem look like?



Other stakeholders?

- Associations, NGOs, donors, researchers, TA providers

What does the MI ecosystem look like?



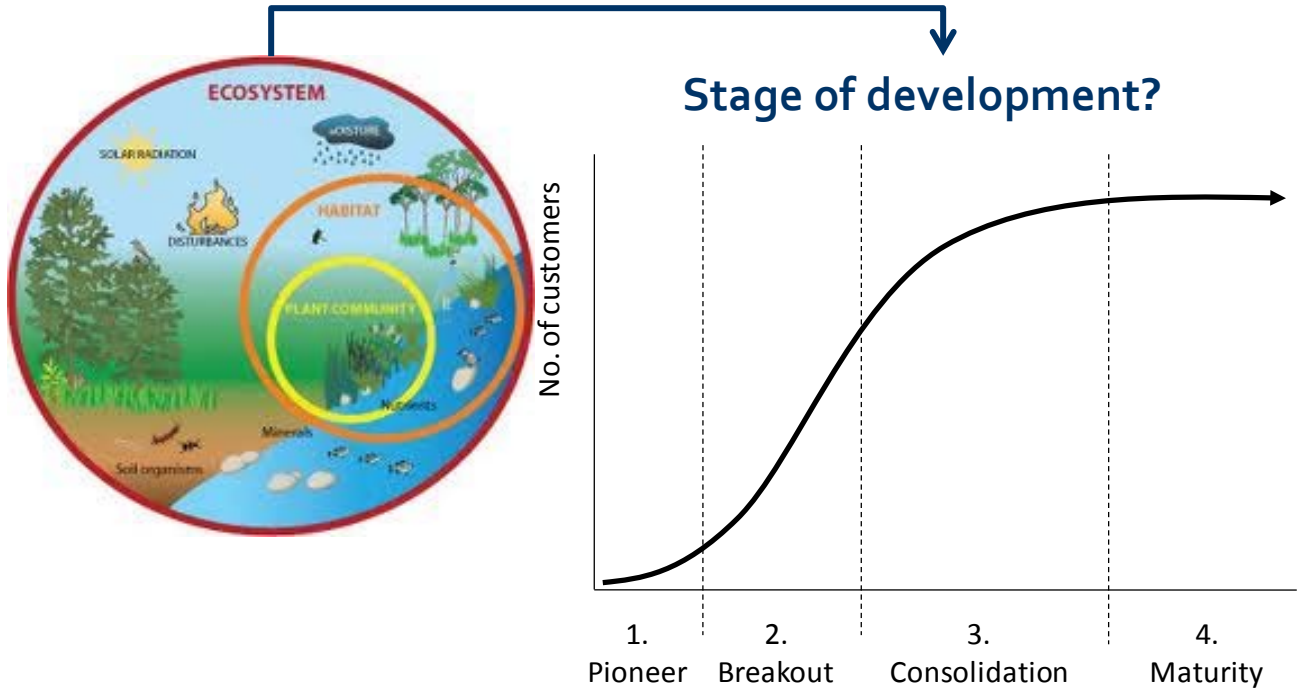
The environment:

- Regulatory stakeholders?
- Context factors?
 - Income distribution, demographics, macro stability, culture

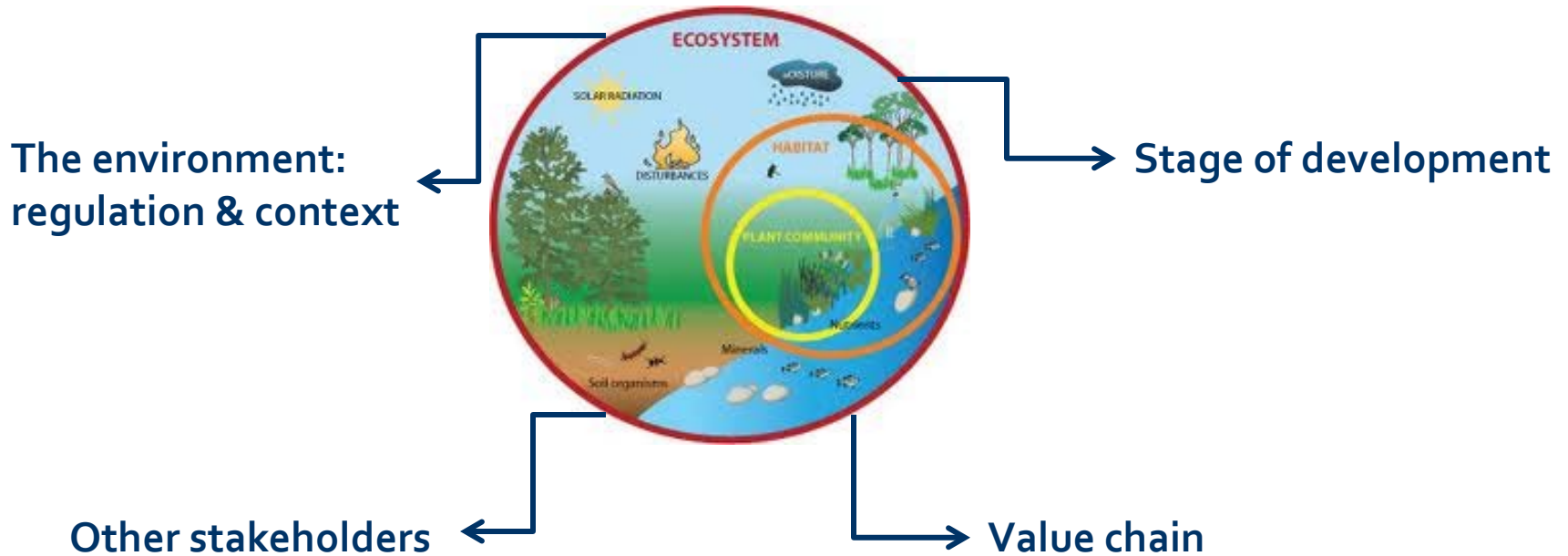




What does the MI ecosystem look like?



What does the MI ecosystem look like?





- Where are you heading?
 - Desired end-state
 - Strategic objectives, e.g.
 - Make microinsurance a policy & market priority
 - Promote a sound insurance sector
 - Support the development of alternative distribution channels
 - Support regulatory reform to accommodate microinsurance
 - Support supervisory capacity development
- Do you need an active strategy to get there?



Designing a microinsurance strategy

- What process should you follow?



Decision to support MI development

Stage 1: "ready" Catalysing the debate & understanding the market			Stage 2: "steady" Devising the strategy			Stage 3: "go"
1. ID stakeholders & key individuals	2. Understand the market & regulatory framework	3. ID drivers, opportunities & barriers	4. ID strategic goals & interventions	5. Consider engagement process	6. Consider coordination platform	7. Implement strategy

Outcome:
MI development

Key questions underlying the strategy



1. Do you need a formal definition?
 - E.g. for: dialogue & alignment, delineating a space in regulation, delineating the target market, facilitating support initiatives, government coordination
2. If so: how do you go about it?
 - Parameters: benefit/premium limit, simplicity, risk events, etc
3. Who takes the lead in implementing the process?
 - Coordination
 - Who can act as champions?
 - Is a neutral catalyst needed?

4. Who funds it?

5. How long does it take?





From strategy to action



Goal:

-

Current state of the market:

-

	Strategic objectives:	Action steps:	Responsibility:	Milestones & timeline:
Key opportunities: <ul style="list-style-type: none"> • • 				
Key challenges: Regulatory: <ul style="list-style-type: none"> • • Market: <ul style="list-style-type: none"> • • Context: <ul style="list-style-type: none"> • • 				
Information gaps: <ul style="list-style-type: none"> • • 				

Example activities

Trigger or support an inclusive regulatory process

- Support for policy statement
- Research to overcome identified barriers
- Enforcement/consumer protection concern
- Facilitating industry-supervisor dialogue
- Taking part in the international debate and forums
- Supporting further research

Trigger or support a market response

- Developing industry codes and standards
- Exploring business model options
- Capacity building, workshops
- Seed funding for innovative pilots
- Generating quality information

Create insurance awareness

- Design & implement cons education campaigns
- Developing common industry terminology
- Creating a call centre

Thank you!

Christine Hougaard, christine@cenfri.org
www.cenfri.org