



# Joint Colloquium of the IACA, PBSS and IAAHS Sections of the International Actuarial Association

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## **Microinsurance: Looking back and moving forward**

Craig Churchill

International Labour Organization





## ILO's interest in microinsurance

The ILO is concerned about the promotion of decent work: **more and better jobs**

- The availability of **social protection** for workers and their families
- The impact of financial policies on social justice, i.e. toward more **inclusive financial markets**

This reflects the two most common perspectives on microinsurance...

# The microinsurance continuum



## Social Protection

- Benefits are a human right (e.g. health, pension)
- Contains a redistributive element

## New Market

- 4 billion persons living on less than \$2/day
- Product and distribution innovations can make the poor a viable market for insurers

# Microinsurance is...

“...a mechanism to protect **low-income people** against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved”

# Microinsurance is not...

- Small insurance companies
- Just another product offered by MFIs
- Regular insurance products with smaller sums insured and premiums
- Savings, credit, risk prevention

# Learning about microinsurance

- Conducted 24 case studies, which draw lessons from 40 microinsurance providers, including risk carriers and delivery channels, primarily in Africa, Asia and Latin America
- Project managed by the ILO on behalf of the CGAP Working Group on Microinsurance
- Case studies are available on [www.microinsurancefocus.org](http://www.microinsurancefocus.org)
- Published “Protecting the poor: A microinsurance compendium” with Munich Re Foundation



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# Protecting the poor A microinsurance compendium

Edited by  
Craig Churchill



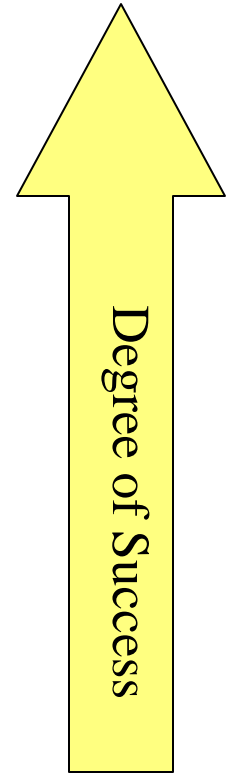
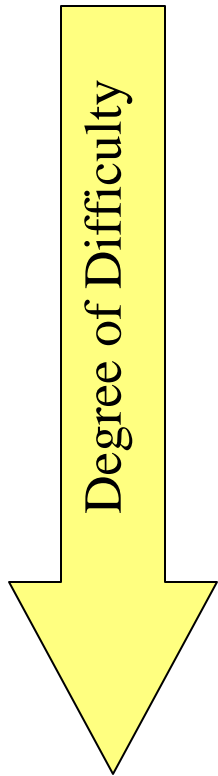
# What risks are the poor concerned about?

Country	Priority risk
Uganda	Illness, death, disability, property loss, risk of loan
Malawi	Death, food insecurity, illness, education
Philippines	Death, old age, illness
Viet Nam	Illness, natural disaster, accidents, livestock disease
Indonesia	Illness, children's education, poor harvest
Lao P.D.R.	Illness, livestock disease, death
Georgia	Illness, business losses, theft, death, retirement income
Ukraine	Illness, disability, theft
Bolivia	Illness, death, property loss (including crop loss in rural areas)

*Adapted from Cohen and Sebstad (2006)*

# Most common types of microinsurance products

- Credit life
- Term life/Personal accident
- Savings life
- Property insurance
- Endowment life
- Health insurance
- Agriculture



# Key product issues

- Piggyback or standalone
- Mandatory or voluntary
- Group or individual
- Long or short term
- Inclusive vs. cherry picking risks
- Screening
- Basket coverage
- Benefits in cash or in kind, now or later
- KISS

# Diverse delivery channels

- Partnerships between insurers and distribution agents like cooperatives and MFIs (e.g. AIG Uganda)
- Regulated insurance companies that serve the low-income market directly (e.g. Delta Life, Bangladesh)
- Insurance companies that target the low-income market through retailers (e.g. Ellerines, South Africa)
- Self-insuring MFIs that assume the risk of offering insurance to their clients

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## Microinsurance delivery channels (cont.)

- Mutual insurance companies created by credit union/cooperative federations (e.g. La Equidad, Colombia)
- Informal mutual assistance schemes (e.g. burial societies, South Africa)
- Community-based schemes that pool funds, carry risk and manage a relationship with a healthcare provider (L'Union Technique de la Mutualité Malienne, Mali)
- Healthcare providers offering health care schemes (e.g. Nkoranza Community Health Insurance Plan, Ghana)

# Challenges for microinsurance

- Developing sustainable products that meet the needs of the market
- Reducing transactions costs
- Creating an enabling regulatory environment, especially for mutual insurers
- Overcoming the market's natural resistance and educational barriers
- Building microinsurance infrastructure (e.g. actuaries, technical assistance providers, data management systems)
- Expanding outreach to persons who are not in existing groups

# Moving forward: Microinsurance opportunities

- More development agencies and donors recognizing the potential of microinsurance
- Discussions about the regulatory and policy environment are happening early
- Additional distribution channels besides MFIs are emerging
- Technology holds great promise to make better products more affordable
- Insurers are becoming more interested in the fortune at the bottom of the pyramid



micro | nsurance  
Innovation facility  
■ PROTECTING THE WORKING POOR

*Funded by the Bill & Melinda Gates Foundation*

# Four Pillars of Activities

## Microinsurance Innovation Facility

**Innovation  
Grants**

**Technical  
assistance**

**Research**

**Dissemin-  
ation**



# Innovation Grants

- **Grants:** \$50,000 to \$2,000,000 (50 grants averaging \$350,000)
- **Frequency:** 5-10 issued every 6 months for first three years
- **Purpose:** To test new products, models or approaches to consumer education (the 3 themes)
- **Organizations eligible** include insurance companies, semi-formal microinsurers, employers' associations, labour unions, cooperatives and other people's organizations, and other distribution channels



# Technical Assistance

- **TA matching grants** for microinsurers to buy technical assistance from **certified TA providers** (100 grants for short-term assignments over 5 years)
- **Monitoring** for certification
- **Interns:** 30 long-term (6 to 12 months) assignments in microinsurance providers
- **TA and management tools:** a) inventory and needs assessment, b) develop 5 to 10 tools
- **Workshops** for TA providers 1 or 2 per year



For more information:  
[www.ilo.org/socialfinance](http://www.ilo.org/socialfinance)

or email:

[microinsurance@ilo.org](mailto:microinsurance@ilo.org)

or call Craig Churchill  
+41 22 799 6242

