Background documentation

Microinsurance - Distribution approaches that reach the poor

An event organised by ADA and BRS on 18th October 2012 in Luxembourg and 19th October 2012 in Brussels

With Brandon Matthews, Board Member of the Microinsurance Network
and the International Labour Organization's (ILO) Microinsurance Innovation Facility

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Introduction

Working poor live with substantial risk and face devastating circumstances when those risks become reality. Global insurance markets have ample capital - both financial and intellectual - to ultimately insure the assets and income of the working poor. Nonetheless, demand and supply are not adequately aligned; huge numbers of families who most need appropriate insurance remain without the opportunity to buy, while insurers are continually searching for the cost effective and suitable ways to expand into untapped market segments.

Increasingly, new methods of distributing and offering insurance are proving successful. These include via mobile phone, through supply chains of global corporations, with informal «agents», and even as lottery tickets.

This above stated subject was the focus of two events with keynote speaker Brandon Matthews, in Luxembourg and Brussels, which were organised by ADA and BRS respectively: The 23rd Midi de la microfinance and the 7th Microfinance Lunch Break.

The background documentation in this package contains selected articles by ADA and BRS in the framework of both events.

▲ **Micro-insurance helps reduce uncertainty in the lives of low-income people**

In microinsurance, demand and supply are not adequately aligned


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Succeeding at microinsurance through differentiation, innovation and partnership

Microinsurance defined

Microinsurance is typically defined in terms of the income of target customers, the limits on the amount of premium or the size of the benefit set by the local regulator, or a combination of these criteria. For example, the South African regulator views microinsurance as providing "a maximum benefit of R50,000 (US$6,400) per insured life, per insurer for any insurance related to a death event" while the Philippines Insurance Commission uses the condition that "the amount of premium does not exceed 10 percent of the current daily minimum wage rate for non-agricultural workers".

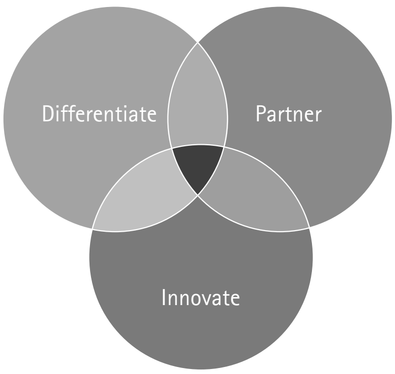
Microinsurance targets the population in the middle of "the base of the economic pyramid" or BOP. The extremely poor, living on less than two dollars a day, have too few assets and need humanitarian aid, while the wealthier, living on more than eight dollars a day, can often access traditional insurance products. This white paper does not address the situation of those living currently on less than two dollars a day. For this group, other more specific strategies might be needed, such as those developed by Esther Duflo and Abhijit V. Banerjee in their book titled "Poor Economics"[1].

This paper looks specifically at microinsurance in the emerging markets of Asia, Latin America and Africa. Microinsurance is prevalent also in mature economies, although in a different form. Social security systems in most mature economies provide for their citizens' basic needs (e.g. healthcare, pensions, unemployment benefits), leaving insurers to offer products such as those for micro-entrepreneurs. Another reason for excluding developed markets from this analysis is that their higher levels of literacy and awareness of insurance, and their superior infrastructure and accessibility, imply that the operating models of microinsurers have to be more differentiated than those of insurers operating in the identified emerging markets.

Microinsurance takes off as carriers experiment with new business models

In a fairly short space of time, microinsurance has advanced from being something of an oddity in the insurance world to a very significant long-term business opportunity. Who would have thought customers earning a few dollars a day were worth courting, or that policies priced at 50 cents a month could be profitable? Today more than 30 international carriers are offering microinsurance products in various parts of the world, and many more are planning to get involved. While there is yet no widely accepted strategy, the common ingredients for success are differentiation, innovation and partnership.

Microinsurance



Microinsurance is a concept whose time has come.

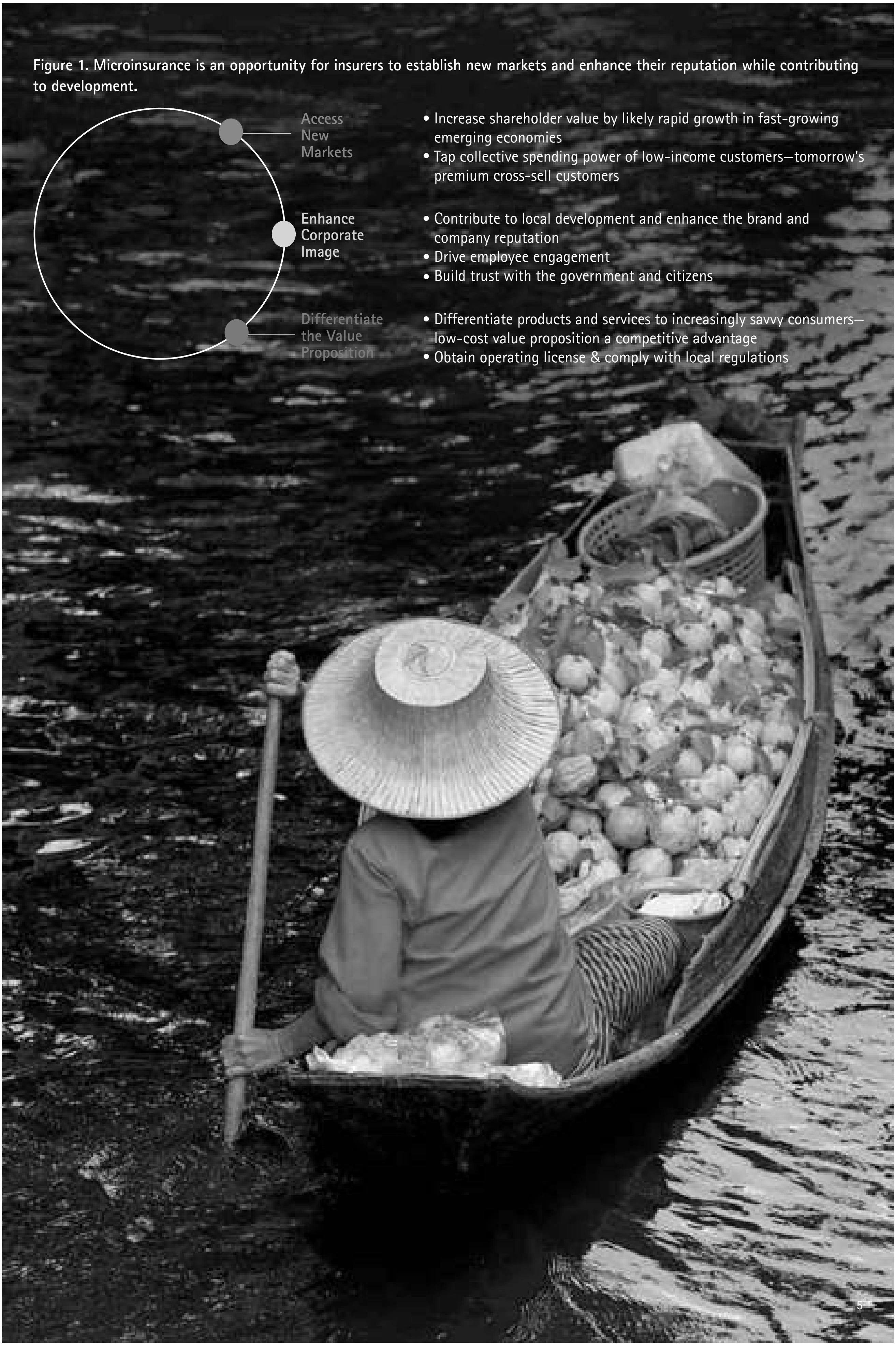
A diverse array of trends are combining to boost demand for risk protection among low-income consumers, businesspeople and farmers, and to encourage the development of suitable products and effective operating models. The most important of these trends is the growth of the economic segment or merely type of consumer who, while poor and unaccustomed to insurance, has an income and assets which need to be safeguarded. This is supported by robust growth in those countries which have the largest number of low-income citizens, as well as continuing urbanization—with all the risks which this entails for the individual.

On the supply side of the equation there is a growing convergence of the private, public and social sectors which is creating a fertile environment for the provision and distribution of microinsurance. Whereas before, insurance corporations operated largely in isolation of state agencies and non-governmental organizations (NGOs), today they are collaborating to an unprecedented degree to take maximum advantage of their respective capabilities and resources. Many governments have created incentives for private-sector organizations to develop insurance solutions for the previously uninsurable. Donor and community groups are cooperating by providing infrastructure, insights into customer needs, endorsement and other forms of assistance. The shared goal is to reduce inequality between the affluent and those who are most exposed to the risk of adverse events beyond their control, while easing the burden of social support which sits heavily on governments' shoulders.

Fortunately the increase in demand for insurance, and the emergence of a conducive environment, have coincided with insurers' turning their attention to developing markets. They have also become better equipped to play a role in this new sector. The rapid development of innovative products, distribution channels and enabling technologies—essential for competing in developed markets—is proving just as important in adapting to the needs of the microinsurance market.

Together, these trends are giving rise to what may prove to be the most significant development in insurance and its social acceptance in decades.

Figure 1. Microinsurance is an opportunity for insurers to establish new markets and enhance their reputation while contributing to development.



Breaking new ground

The World Bank[2] estimates that there are between 4 and 5 billion* people who live on an income with a local buying power of less than US$8 a day. A little over half of these are so poor that they require aid and effectively fall outside of the commercial financial market. That leaves about 2.3 billion potential consumers of microinsurance services. To date 135 million, or five percent, have insured themselves, their property or their crops[3]. The potential market is estimated to be 3–4 billion policies generating between $30 and $50 billion in annual premium revenue[4]. Total demand is growing in excess of 10 percent a year, with premium increases outstripping those in the developed markets.

The popularity of products varies from country to country, depending on the risks which loom largest—earthquakes in Chile, drought in Kenya—but the global priorities are health insurance, followed by life protection (often linked to loans), agriculture/property, job loss and catastrophe insurance.

Microinsurers have had the most success in the Asia-Pacific region, where two-thirds of the poor are to be found. India and Bangladesh are the fastest-growing markets followed by China and the Philippines. On the other side of the globe Brazil, Mexico, Colombia and Peru are also experiencing strong growth. Africa and Eastern Europe have vast but mostly untapped potential.

The most salient difference between conventional insurance and microinsurance is the size of the premium and the insured amount. However this should not blind one to the fact that microinsurance is different in many other crucial respects. As a senior executive in a global insurance group, tasked with launching their microinsurance offering in Colombia, commented: "Forty years in insurance doesn't teach you anything about microinsurance!" For this reason it is often said that to succeed in this market, it is essential that insurers change their attitude and adopt an open mind to the particular needs and characteristics of the market.

Some of the more important differences which typify successful microinsurance offerings are:

- It accommodates a low level of familiarity with the concept of insurance, and perhaps even a degree of mistrust.
- It assumes that customers are generally poorly educated, even illiterate, and goes to pains to avoid misunderstandings.
- It is as simple as possible, both in concept and execution. Eligibility is defined broadly with only a few effective controls, and exclusions are kept to the minimum or eliminated altogether. Payment and claims processes are as convenient, fast and straightforward as the insurer can make them.
- Group pricing is more common than risk-adjusted pricing, due to the lack of personal data and the cost of individual underwriting. The ratio of price to cover is invariably higher.
- Premiums are often irregular, and linked to other payments such as loan repayments or product purchases.
- Distribution is more demanding yet less dependent on legacy structures, due to poorer communication and payment infrastructure serving this target market—which is often located far from urban areas. As a result, the variety of intermediaries is greater than in the case of conventional insurance.

Perhaps the most important difference, at this point in the evolution of microinsurance, is the notion that profit is hard to come by. A global research study conducted by the Microinsurance Network[5], involving 24 carriers that are actively marketing microinsurance products, found that 57 percent believe the business is profitable. All but one are convinced that profitability will be achieved within three years, and 29 of the 42 products which the respondents have in the market are already financed by premiums alone.

While this testifies to their financial sustainability, the insurers rank other benefits as more important than short-term financial profitability. Entry into new markets comes first, with 31 percent of mentions, while image improvement and brand recognition is next with 28 percent. Profits (24 percent) are followed by improved relations with regulators in new markets (14 percent) and the acquisition of new partners (10 percent).

Much of the difficulty of achieving profitability can be ascribed to the novelty of microinsurance—it is new to consumers, who mistrust and struggle to understand it, and it is new to insurers, who lack the knowledge of the market to underwrite it accurately as well as the infrastructure to sell and administer it efficiently. In time, all of these obstacles are likely to be mitigated, if not overcome. Customers will come to accept the concept of microinsurance and will recognize its value. Insurers will learn from their early mistakes, accumulate data, develop efficient distribution channels and build the geographically concentrated market bases that yield economies of scale. Experience and familiarity will almost certainly be the keys to profitability.

*The World Bank counts 4.9 billion people living on an income of less than $3,000 per year (i.e. $8.22 per day) while the International Finance Corporation estimates the number is 4 billion. There are a number of possible reasons for the variance; for example, the IFC's "The Next 4 Billion" considers only 110 countries[6].

The wide world of microinsurance

The opportunity for micro-insurance, and the relevant business environment, varies greatly from country to country. Those offering the greatest immediate potential are:

Brazil
The base of the pyramid (BOP) is 75 percent of the population with $172bn in income*. Insurance covers 40-50m people, 30m of whom may be micro-insurance customers. A regulatory framework is under way and mass-distribution models are well developed.

India
A bottom-heavy BOP, but spending is concentrated toward the middle of the spectrum. BOP income is $93bn. IRDA, the local regulator, is pushing insurers to cover rural areas. Microfinance is well developed.

Indonesia
A bottom-heavy BOP, but spending is concentrated toward the middle of the spectrum. Microinsurance has low penetration. State intervention/restrictions impede market development. Micro-insurance pilots are under way. There is potential for takaful (Islamic) insurance.

China
The BOP in urban areas is top-heavy by income, while the rural population is weighted to the low end. The BOP income is $161bn. Microfinance/insurance is in its infancy. Regulatory restrictions impact competition and will impede market development in the short term.

Mexico
The BOP is 75 percent of the population. The aggregate income of $105bn is concentrated in the high/middle spectrums. Microinsurance is well developed. National associations for microfinance and insurance work in tandem.

The Philippines
The BOP in urban areas is small in numbers but top-heavy by income, while the largely rural BOP is weighted to the low end. Concessions are in place for microinsurance, providing the best framework. Companies are lobbying the government to exempt microinsurance from taxes.

South Africa
The BOP is 75 percent of the population with an income of $44bn. Spending is evenly distributed within the BOP. And enabling regulatory framework was proposed for microinsurance in July 2011.

Colombia
The BOP is top-heavy. Population and spend are distributed more toward the high/middle spectrums. Supportive regulations have encouraged competition and extended the reach of products.

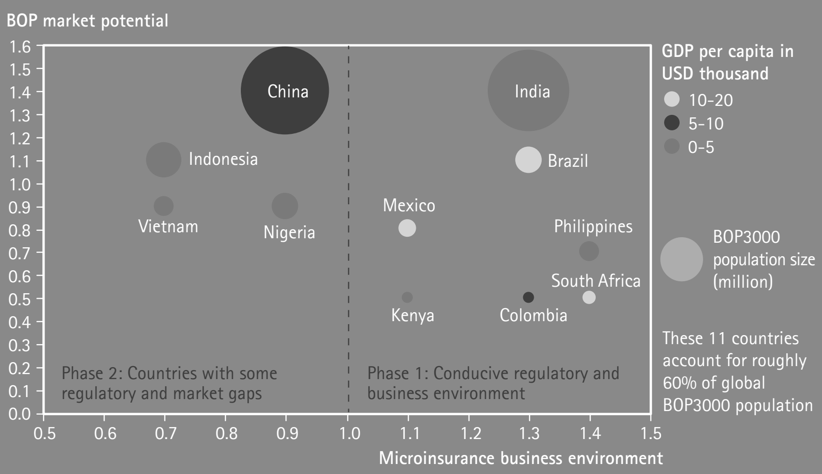
Kenya
The BOP is geographically dispersed; relatively small areas with a high proportion of the BOP are not concentrated in any one region. There is a strong regulatory framework. Innovation and dynamism are already present in microfinance and upcoming in microinsurance.

Nigeria
Most of the 140m people earning less than $3000 a year are concentrated in the lowest income segments, but economic growth should pull up the BOP. There is an established framework for microfinance banks. Insurance operators are urged to develop microinsurance, with existing policies under review.

Vietnam
There are 80m consumers earning less than $3000 a year. Income distribution is weighted to the urban poor rather than the rural poor. Regulatory restrictions and significant state intervention will impede competition and market development in the short term.

*All BOP income figures reflect local purchasing power.

Figure 2. Market size and trends. The choice of market will depend on the potential demand at the base of the economic pyramid (BOP) as well as the business environment.



Note: "Microinsurance Business Environment" is a combination of the Economist Intelligence Unit's Microfinance Business Environment score (2010) and Competition (the number of microinsurance providers present). The "BOP Market Potential" is a combination of the BOP3000 population (size and income distribution) and Microinsurance Penetration.

BOP3000 denotes the population living on an income of less than $3000 a year. Keeping a long term perspective on market potential, the BOP population living on less than $2 a day is included in the BOP3000 count, and the country score is adjusted for income distribution within BOP3000, i.e., bottom heavy, top heavy, or flat, depending on where spending is concentrated.

Sources: Accenture Research based on reports by the International Labor Organization, the Economist Intelligence Unit, The MicroInsurance Centre and HIS Global Insight, as well as PovcalNet, the on-line tool for poverty measurement created by the Development Research Group of the World Bank.

Good for society and good for business

It seems clear that microinsurance has the potential to provide insurers with meaningful benefits—if not immediately at a profit, then at least at a level of sustainability. Many global carriers, who are considering expansion into new markets, believe it is unnecessary to explore the poorly charted waters of microinsurance when there is more than enough potential in conventional products. Those who have embraced micro-insurance retort that—in addition to its own potential—it is proving to be a sound investment in the future of its more up-market products.

The global trend toward convergence economies[7] means that to be effective—or even to be admitted—insurers need to engage with government bodies, social enterprises, public donors, NGOs and foundations to assist in the development of the economy and the upliftment of its members. Multi-stakeholder alliances are being formed that capitalize on the respective strengths and assets of their member organizations, while taking cognizance of their respective objectives.

So insurers are recruited for their expertise, their infrastructure and processes, their administrative efficiency and controls, their technology and their financial resources. Within the context of public policy they are supported by government and developmental agencies to take their products to the people. Local partners—which may be local banks, microfinance institutions, retail groups or other organizations with broad reach and a deep understanding of their low-income customers—provide indispensable market insights, distribution networks and credibility at the local/community level. Their delivery capability, and their ability to help manage the insurance brand, costs and customers, are more important than the business sector they represent and the products they sell. Together they form a hybrid business model that offers legitimacy, flexibility and sustainability—and even, in time, profitability.

Developing countries have implemented a wide variety of measures to encourage the introduction of microinsurance. This ranges from legislation, in India, setting prescribed shares of carriers' business that must be sourced from rural and low-income sectors, to public-private partnerships in Mexico, and supporting initiatives across Africa. At the very least, by helping their alliance partners achieve their socio-economic goals, insurers are earning the right to pursue theirs.

Partnerships are key, but weigh the pros and cons

Partnership is the essential platform of an effective microinsurance strategy, but as in any area of business, it is fraught with difficulties and needs to be carefully managed. Partners seldom have identical priorities and they are invariably burdened with different constraints, and this can threaten delivery and sustainability. To overcome them it is important to focus on the common objectives.

There are three main partnership models which insurers should consider:

Partner-agent

The most prevalent of models, this approach involves any of a range of micro-finance institutions, non-governmental organizations (NGOs), cooperatives and retailers. Typically, products are developed collaboratively, insurers bear the risk, and the partner distributes the products. The model takes advantage of the partner's existing infrastructure and the trust it has built up in the marketplace, which combine to reduce costs and accelerate speed to market. It also enables the attainment of scale through aggregation.

It does have its drawbacks though. The partner's sales staff usually lack experience in insurance as well as the capacity to take on the new products—these need to be addressed by means of a thorough due diligence exercise, training and the provision of systems and infrastructure on the part of the insurer. CIC in Kenya has engaged an agency to promote the sale of its Bima ya Jamii product by the staff of its partners—mostly microfinance institutions and credit cooperatives. It trains them in the product as well as the point-of-sale technologies (hand-held devices, biometrics and a digital pen), and provides customer education and support.

Another disadvantage is that, to the extent that the partner does succeed in selling the products, it gains ownership of the client interface and relationship. To overcome these, the partnership needs to be intensively managed. In particular, there must be close alignment of the interests of the partners and those of the target customers. The insurer also needs to provide ongoing marketing support such as advertising, and incentives for its partner's sales agents. Training is essential too, if the insurer's managers are make the most of the relationship with the new partners. This includes advising them of the different goals and method of functioning of what may be grassroots or public-sector organizations, and sensitizing them to a very different corporate culture.

Examples:

- Philippine Prudential Life, Malayan Insurance and Munich Re distribute their respective insurance products through CLIMBS, an association of 2,000 cooperatives with more than a million Filipino members.
- Alico Chartis has partnered with the gasNatural utility to sell its products to low-income consumers in Colombia.
- In South Africa, Hollard has partnered with the budget clothing retail chain Pep Stores to sell inexpensive funeral insurance. Customers buy the product off-the-shelf and pay their premiums in-store.

Public–private partnership

This model is used by governments as a short-term intervention to facilitate the establishment of microinsurance in their countries. By either subsidizing the premiums or underwriting the catastrophe risk, they allow their partners—insurance companies, micro-finance organizations or NGOs—to penetrate the market, establish their products and build a sustainable business model. This model also permits the sharing of data and experience, which would otherwise not happen.

It does, however, have a number of disadvantages, not the least of which is the survival of the business if and when the subsidy is withdrawn. The distortion implicit in the subsidization makes it difficult for the insurer to gauge the viability of its offerings when the support is removed. On the other hand, if the insurer makes too much profit, its reputation could suffer and its public-sector partner could be embarrassed. For this model to succeed, consumers need to accept the insurer's social contribution as authentic, and they need to believe upfront in the value of the product, whether underpinned by government or some alternative form of financing (e.g. peer-to-peer financing).

Examples:

- Munich Re and the German Gesellschaft für Internationale Zusammenarbeit (GIZ) have developed a weather-index microinsurance product for small farmers.
- Allianz has worked with the UN Development Program to carry out microinsurance demand studies in India, Indonesia and Laos.
- The Co-operative Insurance Company has a "basket" health and life product called Bima ya Jamii. The health cover is underwritten by the Kenyan government's National Health Insurance Fund.

Direct

This model, in which insurers develop and distribute microinsurance products on their own, is the least prevalent of the three primary strategies. While it allows greater control over the outcome of the initiative, and gives the insurer ownership of its customers, it does entail greater distribution and administration costs. To succeed, the insurer needs rapidly to acquire an understanding of its target market—the local community dynamics at grassroots level—and of microinsurance itself. It also needs to address the challenge of scalability, and to develop low-cost, scalable systems for its front and back offices.

Challenges can be overcome, with a little help from one's friends

As mentioned earlier, the first challenge facing insurers who have decided to enter the microinsurance market is to open their mind and prepare themselves for an entirely new business paradigm. The willingness to question past experience, and the recognition that many of the assets and attributes that have contributed to their success may be irrelevant or even an impediment in this new context, are uncomfortable but necessary steps. A big help, in this regard, is partnering with local organizations that are familiar with the environment and have experience working with customers at "the base of the pyramid". This leads the carrier to consider the market through a different prism than its own.

In developing an effective microinsurance business model, insurers need to get to grips with a daunting array of challenges which fit into three broad categories:

Heterogeneity

The diversity of potential customers is significantly greater than insurers typically encounter in more mature markets. This is true not only between different countries but also within them. This raises the risk that products fail to meet the needs of customers, and makes it unlikely that a successful model can be replicated in a new market with the same positive results.

Accessibility

Microinsurers have to deal with high distribution and acquisition costs due to the inaccessibility of potential customers. Penetrating the rural market involves obvious obstacles, but reaching urban customers is often not much easier due to the lack of infrastructure. In both cases illiteracy, the shortage of facilitating services and capacity gaps impede acquisition and contribute to attrition.

Affordability

In the absence of comprehensive customer data, and faced with issues such as adverse selection, moral hazard and covariant risk, insurers cannot underwrite microinsurance with their customary rigor. And even though most microinsurance policies have a higher premium—cover ratio than is the case with conventional policies, they seldom meet the full cost of the cover. To break even, high and geographically concentrated volumes are required. This in turn makes it essential that an efficient operating model is employed.

The operating model: key to success

The obstacles which confront the insurer that seeks to develop and market a successful microinsurance product are numerous and daunting. The solutions to all of these challenges will be bundled into an effective operating model—which will look unlike any model the insurer has developed before.

It will include the participation of an unlikely group of local partners, selected for capabilities or assets which may have nothing to do with insurance. It will feature differentiated products which have been specially customized to meet the needs and expectations of local customers who have modest means and scant experience (if not mistrust) of insurance. It will comprise innovative distribution, financing and partnering mechanisms, and will be geared for scalability as the offering proves itself. And it will be structured to comply with local regulations and government incentives while simultaneously pursuing financial sustainability if not profitability.

There are four key areas where the effectiveness of the operating model will be tested:

Product development

In order to develop products which appeal to customers with scant experience of insurance and limited affordability, insurers need to work closely with partners in the public and/or private sector who have a deep "grassroots" understanding of their constituents. Demand studies and pilot projects will test the feasibility of the concept and ensure that all relevant practical and cultural factors are considered. This knowledge can then be merged with insurers' experience with more traditional products to produce offerings that are simple, cheap and easy to buy. As the product takes off and more data becomes available, analytics can be used for predictive modelling that points the way to product modifications and other changes to the operating model.

Marketing & distribution

The insurer's partners play a vital role in establishing trust and credibility, especially when they have their own, established distribution network. This network can be leveraged to communicate with and educate prospects, and to bundle the microinsurance product with the partner's products (e.g., short-term credit). Marketing and distribution is more about bundled sales and less about direct sales. Sales are maximized when the product, terms (such as exclusions) and supporting documentation are as simple as possible, so that both the agent and the prospect understand them properly. The effectiveness of a shared distribution network is further enhanced when the organization architecture and infrastructure are localized, with centralized processing and technology support.

Claims & administration

As with all insurance, the credibility of microinsurance depends on the settlement of the claim. This is a particular challenge for insurers, given the difficulty of screening prospects, accommodating pre-existing conditions and evaluating individual loss. However, by combining the perceived professionalism of the corporation and the trust of the local agent, insurers can achieve the essential consistency between the sales message and the claims outcome. Administration should have the flexibility to accommodate provisions such as "pay when you can", and should be locally organized with centralized processing and support. Outsourcing the back-office, in addition to front-office distribution, can go a long way in better managing costs and service levels.

Risk & regulation

The essence of profitable underwriting is understanding the risk. The novelty of microinsurance, the absence of data, and most insurers' unfamiliarity with the circumstances of their potential customers, make it very difficult to evaluate the risks that are being covered. These obstacles can be mitigated in a number of ways: by collaborating with partners to conduct research that approximates a community's risk; by pooling risk across multiple markets and regions; by offering short-term products that limit exposure; by partnering with the public sector to share losses which exceed an agreed amount; by sharing data and expertise among insurers; and by utilizing analytics to make the most of the information that is available.

Technological innovation: a potential game-changer

One of the most powerful trends impacting insurance at this time is the rapid emergence of new technologies.

When it comes to microinsurance, innovation is more than a response to customer demand for more convenient ways to interact—it is usually an operational imperative. Geographic isolation, the lack of infrastructure, illiteracy and other factors force insurers to develop new tools and to combine them in novel ways with existing systems and devices, all with the aim of offering a simple product at a low price.

Anyone who is familiar with the rapid adoption of mobile telephones in emerging markets will accept that even the most sophisticated technology can have a powerful impact in regions characterized by indigent consumers and poor infrastructure. However, adoption can be inhibited by factors such as:

- The reluctance of insurance agents and their customers to use new technology;
- The inability of distribution partners to afford the technology, combined with the high cost of information systems capable of dealing with large volumes of small-value transactions;
- The lack of communications and power systems needed to ensure connectivity;
- A regulatory and policy environment that could impede the implementation of new technology.

There are three key areas where technology can be decisive in facilitating the uptake and profitability of microinsurance:

Mobility

The provision of point-of-sale technology—in the form of biometric smart cards, handheld devices (such as smart phones), solar-powered deposit machines, digital pen etc., in addition to mobile telephones and voice technology—can be a game changer.

Examples:

- Old Mutual offers Pay-When-You-Can funeral insurance to South African customers who buy their registration packs at Shoprite retail outlets and then text the unique 16-digit code to the carrier to confirm their coverage.
- Tata-AIG and ICICI-Lombard use vans to roam the rural areas of India, educating consumers by showing videos that explain the benefits and workings of microinsurance.
- UAP Insurance in Kenya enables farmers to buy crop insurance by using their mobile phone to send in a photograph of the barcode on a bag of fertilizer or seed, and to pay premiums using the M-Pesa mobile banking system.

Real-time connectivity

The seamless integration of insurers' technology systems with those of its agents and partners is crucial to enable the bulk processing and servicing of low-premium policies with minimal manual intervention and at the lowest possible cost. The ILO[8] in 2008 found that transactional systems that streamline processes such as customer registration, claims management and the efficient flow of information are particularly important to microinsurers. Without them, it said, the automation of user interfaces, and the addition of knowledge management, product design and business intelligence, will simply add costs without improving services to customers.

Examples:

- Aviva has implemented straight-through processing that allows it to issue a policy within 24 hours of the application data being entered at any of its Indian microfinance partner Basix's 220 branches.
- Also in India, IFMR Trust Holdings and HDFC Ergo GIC use radio-frequency identification (RFID) tags on insured cattle to minimize claims fraud.
- Mapfre Seguros' partnership with Casas Bahia, a Brazilian retailer, and Vivo, a telecommunications provider, relies heavily on the advanced IT platforms used by both of its partners to easily monitor, in real time, its insurance sales through these channels.

Flexibility and scalability

Pay-as-you-go insurance platforms in the cloud (using software-as-a-service/platform-as-a-service) are an important component of an efficient, adaptable and extendable microinsurance operating model. The ILO[8] reports that the high-end systems deployed in microinsurance today are SaaS platforms. While the investment required for these platforms tends to be greater, the ILO's technology amortization model shows that the benefit-cost ratio is higher since the cost per customer decreases as their numbers increase.

Examples:

- IFFCO-Tokio's agents, working in remote areas, use digital pens to quickly convert their handwritten notes into formal policy applications. The pen data is transferred via GPRS or Bluetooth to the company's web-based SaaS platform for processing.
- Max India and its partner New York Life Insurance have extended their virtual network throughout India by distributing scratch cards through small retailers. Customers pay their premiums by buying a card and texting the concealed code to the insurer.
- For ICICI Lombard's partnership with FINO under India's National Health Insurance Scheme, the technology platform had to be flexible to work in tandem with all other systems. This standardization challenge was met through the creation of a platform for card design; a back-end database management system; and a data maintenance format which enabled the interoperability of smart cards across the network of scheme-approved hospitals[9].

Product strategy is rooted in customized solutions

One of the biggest challenges facing microinsurers is the design and development of products which meet the needs of customers who have limited affordability, experience with insurance and access to infrastructure, and which simultaneously meet the carrier's operational and cost requirements. While simpler products are generally easier to market and administer, they also provide more limited benefits to the customer. Trade-offs are inevitable, and innovation can be invaluable in achieving differentiation and overcoming the obstacles that are common in this sector of the market.

Low needs met/high ease of design

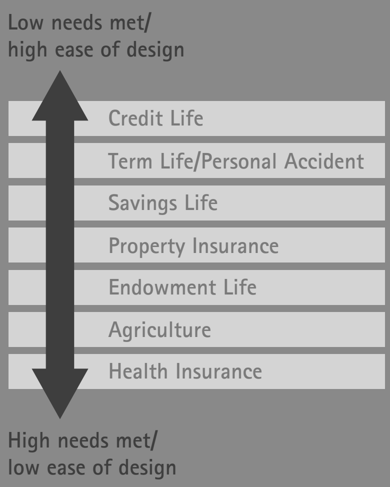
Credit life, or loan protection, is the world's largest selling microinsurance product. Originally created to meet the needs of microfinance institutions rather than their low-income customers, it is bundled as a compulsory supplement to a loan. In the event of the borrower's death or some other calamity the loan is written off.

Credit life is profitable and reasonably easy to execute, but as the product line matures it becomes commoditized and margins are compressed. This can be countered with innovation: structuring the product in different ways, or bundling it with niche products such as takaful or those which generate greater margins. In the case of property insurance, the needs of the community can be better met by focusing on events with low probability and high cost-impact—those which would force households to sell their productive assets. This would reduce the cost of administering large numbers of small claims.

High needs met/low ease of design

Health, agriculture and life insurance are the most effective in meeting the needs of low-income people; however, as they require significant managerial and actuarial capabilities, they are a lot more difficult to implement. Among the innovative solutions which are available to insurers are index-based insurance (where settlement is triggered not by a claim but by an event which conforms to a predetermined metric such as a specific flood level), grants from governments and/or donors to develop infrastructure, partnering with weather stations to collect meteorological data, risk-spreading to multinational insurers and reinsurers, and technology to manage fraud.

Figure 3. Microinsurance products can be plotted on a usefulness/complexity spectrum.



Source: Adapted from Churchill 2006 and the World Bank's Social Funds Innovations Notes 2008

Worldwide implementation of health microinsurance—MicroEnsure paves the way with Accenture

MicroEnsure is the world's first insurance intermediary dedicated to serving poor communities throughout the developing world with an affordable and appropriate range of insurance products. Its role is to provide an efficient back office to complement the front-office and risk-carrier responsibilities of its public- and private-sector partners.

MicroEnsure sought Accenture Development Partnerships' help to deliver an innovative health microinsurance product for lower-income communities in Tanzania. ADP's primary focus included core project management support, establishing a monitoring and evaluation strategy and framework, designing the operating model and organization, and defining the financial process. It also helped MicroEnsure establish a third-party administrator and a new management information system. This paved the way for the initial roll-out, and is providing the structure for a future global roll-out.

PharmAccess rolls out health insurance in Africa—with help from Accenture

The Health Insurance Fund (HIF), an initiative of the non-governmental organization PharmAccess Foundation (PharmAccess), is supported by a grant from the Dutch Ministry of Foreign Affairs and other donors including USAID and the World Bank. As the implementing organization for the HIF, PharmAcces partners with local private organizations in a number of African countries to make health insurance schemes accessible to low-income consumers. In Nigeria, PharmAccess partners with the Hygeia Community Health Plan, and in Kenya it works with the local insurance company AAR.

Accenture Development Partnerships (ADP) has been helping PharmAccess with the strategy and implementation of the HIF schemes. This includes defining the overall framework for the delivery of a health microinsurance product, developing the information management strategy, and detailing best practices for developmental and operational processes.

In addition, ADP has supported the management of two health insurance schemes: one in Kenya and another in Tanzania. This has involved engaging with local partners required to operate a scheme; defining technologies such as enrollment software, administrative systems and premium collection systems; enabling providers to participate in the scheme; and defining key insurance components such as benefits packages, eligibility rules, costs and payment strategies.

What traditional insurers can learn from microinsurance

The experiences of insurers that have developed innovative new business models to launch and establish microinsurance products can have powerful benefits for traditional carriers. The necessity for variable costs and low margins, and efficient distribution and administration, have proved to be the mother of invention—insurers have been forced to innovate throughout the value chain. Creating lean operations, developing effective relationships with often unlikely partners, inventing solutions for customer needs with a completely fresh perspective, and exploiting technology to the hilt are just some of the examples.

- Partnerships in microinsurance are agnostic of the organization type, whether these are microfinance institutions, non-governmental organizations, retailers, telecommunications providers or the public sector at large. In learning to manage these very different partners, carriers have had to adopt new governance and leadership styles, and become more accepting of different corporate cultures.
- In their quest to understand the microinsurance customer, carriers are gaining cross-cultural understanding and insights that are proving invaluable as they launch their more conventional products into the mainstream of these fast-growing emerging markets.
- In the process of deploying technology in the field, insurers can learn how to direct the mainstream customer and sales force toward lower-cost digital channels, and how to overcome the adoption barriers and challenges that confronted them in microinsurance.
- As mainstream insurers today scout for new opportunities to grow revenue and reduce costs, the experiments of microinsurers can stimulate ideas for new business models based on differentiation, innovation and partnerships.

Building a bright future, step by step

Microinsurance has become increasingly popular in the last five years as providers have learnt more about their markets and improved their product offerings, process efficiencies and responsiveness. Clearly, there are still challenges to overcome, and risk pooling and efficiency breakthroughs yet to be realized. These are necessary if sound microinsurance products are to made available to vast numbers of people.

Profitability is linked with scalability—microinsurance can be self-sustaining if delivered at scale in geographically concentrated volumes. But not all large insurance schemes have proved profitable. Scale is an important lever of success, provided that the operating model is both relevant and robust.

Microinsurance has reached an interesting juncture. It is still largely within the realm of public policy, with governments in most emerging countries throwing weight behind its expansion. At the same time, a significant number of insurance carriers have entered the market and are proclaiming its profitability—if not right now, then soon. At the very least, they can depend on the support of the public sector and development agencies in making the business self-sustaining.

For the present, insurers who are contemplating entering the market should evaluate more than only the profit potential of microinsurance. It offers the opportunity to position the carrier as a socially responsible organization which is committed to local development. This allows it to build trust and relationships within governments and community bodies, and to have a say in the development of an enabling environment.

Microinsurance can also be an entry strategy for a broader, more profitable range of insurance products. The experience gained in the process of becoming familiar with the various market segments, developing suitable microinsurance products, and establishing effective distribution channels and partnerships, can be invaluable when it comes to launching conventional insurance products. In addition, success in establishing a brand at "the base of the pyramid" can have significant long-term benefits. The World Bank estimates that in the past decade no fewer than 500 million people left the ranks of the poor and joined what is known as the "new middle class" in the mainstream of consumer society.

In fast-growing economies today's low-income customers may soon become tomorrow's premium prospects. And products like microinsurance, which seem at first glance to offer modest financial returns, may in the long run prove to be important contributors within the carrier's broad portfolio. The future of insurance, particularly in emerging markets, is closely linked with the future of microinsurance.

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About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 244,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is www.accenture.com.

About Accenture Development Partnerships (ADP)

Accenture Development Partnerships is a group within Accenture designed to operate on a not-for-profit basis to channel Accenture's strategic business, technology and project management expertise to non-profit organizations, NGOs, foundation and donor organizations operating in the development sector—helping these organizations achieve their social and economic development goals. The group started as a corporate social enterprise in 2003 and has completed over 350 projects for 74 non-profit clients, working across 64 countries, and deploying more than 750 Accenture employees. Accenture Development Partnership's home page is www.accenture.com/adp.

EXECUTIVE SUMMARY

- The potential market for insurance in developing economies is estimated to be between 1.5 and 3 billion policies. There is significant demand for a range of insurance products from health and life, agricultural and property insurance, to catastrophe cover.

- Besides profits, there are several other benefits for commercial insurers providing microinsurance: a larger and diversified risk pool, benefits to reputation, and market intelligence and innovation that can be applied to other business activities. In the longer term, the combination of first mover advantages and sustained growth in developing markets can lead to strong future business prospects.

- The success of microcredit worldwide has shown that people with low incomes are a proven market for financial services and are effective consumers if given appropriate products, processes, and knowledge. In the insurance field, microinsurance can provide the specialised insurance products demanded by under-served low income markets.

- Microinsurance already covers around 135 million people, or around 5% of the potential market. In many countries, annual growth rates are 10% or higher.

- The trends that will shape the future of microinsurance include: economic growth, urbanisation, financial sector development, climate change including more extreme weather events and structural adaptation, the rapid pace of product and logistics innovation, and innovative use of communication and information technology (mobile phones, internet).

- Microinsurance is effective even in markets with little experience of insurance, as long as products, procedures and policies are simple, the premiums are low, the administration is efficient, and distribution channels are innovative.

- The main suppliers of microinsurance are commercial insurers. Most international insurers and reinsurers are involved in microinsurance initiatives or offer products directly. At the same time, international organisations, donors, non-governmental organisations (NGOs) and governments are important facilitators.

- Community-based and informal insurance schemes will prove valuable sources of innovation, but it is likely that, as communities develop, opportunities for regulated insurers with appropriate products and processes will increase and these insurers will become market leaders.

THE LANDSCAPE OF MICROINSURANCE: PRODUCTS AND MARKETS

The demand for microinsurance

Currently around 135 million, or 5%, of low income people in developing countries are using microinsurance products. But the low income market size, if measured by the number of potential clients, is several times larger, amounting to 1.5 to 3 billion potential policies.

According to research carried out by Swiss Re in 2007, most growth in the insurance industry over the past decade has come from the wealthy and middle income markets in emerging economies. Premiums grew by 3.3% globally and by 11.8% in the emerging markets in that year. In part this was due to a growing number of clients moving into the wealthy and middle income brackets in these countries, but it is also attributable to insurance expanding into new markets.

Traditional insurance serves affluent markets, mainly in industrialised countries, where insurance penetration is high and markets often seem saturated. However, this market is notably smaller for the lower income countries.

Many low income people are insurable in that they have assets and livelihoods to protect, and sufficient incomes to pay premiums. However, most do not have insurance as they are unfamiliar with the concept of insurance as a risk management tool. Educating them on the potential benefits of insurance is the first challenge for microinsurance providers.

Research has shown which risks cause most concern to low income people. Table (ii) summarises the available surveys. Risks to health (hospitalisation costs) are the priority concern, followed by death of the breadwinner. In rural areas, loss of crops and livestock, as well as price fluctuations, are considered to be important risks.

Table (ii): Priority risks for low income people in selected countries

Country	Priority risk
Uganda	• Illness, death, disability, property loss, risk of loan
Malawi	• Death (especially in relation to HIV/AIDS), food insecurity, illness, education
Philippines	• Death, old age, illness
Vietnam	• Illness, natural disaster, accidents, illness/death of livestock
Indonesia	• Illness, children's education, poor harvest
Lao PDR	• Illness, livestock disease, death

Georgia	• Illness, business losses, theft, death of family member, retirement income
Ukraine	• Illness, disability, theft
Bolivia	• Illness, death, property loss including crop loss in rural areas

Source: Overview of surveys in Churchill, edited 2006

Table (ii) indicates a demand primarily for health insurance, life insurance and agricultural insurance. However, extrapolating from risk perception to demand for insurance products should be done with great care. Experience has shown that low income groups will not necessarily choose formal insurance as a risk management tool. Entering a low income market requires a thorough understanding of potential clients' needs, options, and resources for coping with risks; and an ability to respond to these needs with products.

Microinsurance supply chains

A variety of businesses and organisations are engaged in microinsurance and they often join forces in diverse, and at times, innovative ways to deliver services to clients.

Typical models include:

- Partnerships between commercial insurers and MFIs and other delivery channels
- Regulated insurers that serve low income clients directly, often with separate agents
- Healthcare providers offering a package which includes both insurance and healthcare services
- Community-based organisations (CBOs) that pool risks and/or funds of members
- MFIs that offer insurance to their clients and act as risk carriers themselves
- Government-subsidised insurance schemes

Figure 1 gives an overview of key actors and their possible roles in a supply chain.

Figure 1. Key players in a microinsurance value chain

	REINSURERS	REGULATED INSURERS INFORMAL INSURERS	DELIVERY CHANNELS	POLICY HOLDERS
TYPICAL PARTICIPANTS	• Multinational • Regional • National	• Multi-national insurers • Domestic commercial insurers • Mutual insurers • CBOs • NGOs • Informal groups	• MFIs and Banks • CBOs and NGOs • Speciality agents • Brokers • Employers • Retailers • Governments • Churches • Utilities • Cell phone providers	• Individuals • Households • Groups: members, clients, employees, and others

SUPPORT STRUCTURES – Actuaries, associations, adjusters, IT providers, others
REGULATION and SUPERVISION – The foundation of sound consumer protection
INITIATIVES and DONORS – Strengthening the weak spots
GOVERNMENTS and MINISTRIES – Supportive policies for microinsurance development

Not all the organisations involved in the supply chain are discussed here, as this report focuses primarily on commercial insurers that provide microinsurance products for profit in the long term. Within that context, the following observations can be made about the involvement and role of the different market players:

Insurers

Both national or multinational insurers set the price for products, carry the risks and pay claims. Their products may be developed with distributors, which, in many cases, initiate the collaboration.

Insurers may be regulated or unregulated. Unregulated microinsurance providers are usually small and tend to be community-based organisations and NGOs. Mutuals, run by professional insurance staff, are normally regulated and supervised, sometimes under a Cooperatives Act.

Most of the large international insurers are already involved in microinsurance in some way, either offering microinsurance products or entering partnerships with local insurers and delivery channels in developing countries. Several multinational insurers, including Zurich, AIG and Allianz, now have microinsurance units at their head offices to focus on expanding microinsurance business throughout their networks.

Reinsurers

Many of the world's leading reinsurance companies are involved in microinsurance initiatives. In some cases they provide support in product development, in particular for index-based insurance; in others they reinsure microinsurance schemes (eg Munich Re, which has entered a partnership with a Columbian insurer, Sudamericana, to support microinsurance).

So far, the role of reinsurers has been relatively limited, as most microinsurance is still rather basic. Insurers argue that the covers are so low that even significant losses would not surpass the deductibles on their reinsurance agreements. This is likely to change as products become more sophisticated and market penetration increases.

Microinsurance delivery channels

Delivery channels are essential for bringing products to clients for whom insurance may be fundamentally new. MFIs, NGOs, post offices, employers and other organisations with large networks have the potential to reach significant numbers of clients at low cost.

Because microinsurance premiums are small, delivery channels tend more often to be institutions rather than individual agents. Specialised brokers, such as the Gates Foundation funded MicroEnsure, or commercial brokers such as Aon in Bolivia, act as mediators between insurers and institutions wishing to provide insurance to their members or clients. Sometimes institutions that act as delivery channels take on the role of the primary insurer – an example being some MFIs which offer life insurance and keep the risk on their own books.

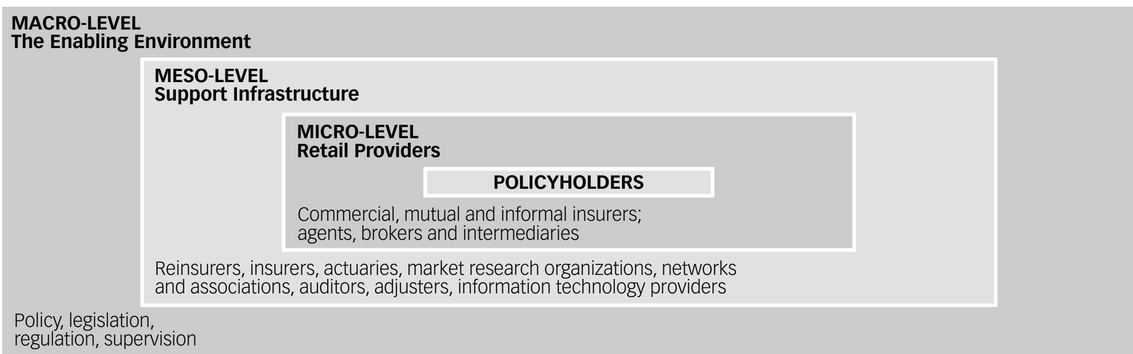
Policyholders
Besides individuals, clients may also be groups, such as companies or cooperatives.

Participants at the meso and macro levels
These participants include government policymakers, regulators and supervisors, international organisations, local and international NGOs, consultants, actuaries, providers of IT services and communication experts. They are not directly in the microinsurance supply chain, but they shape the business environment and provide some of the capacity that allows microinsurance to prosper.

For example, international organisations, NGOs and donors initiate and facilitate microinsurance market development in many countries. Donors typically support the research and development stages where neither insurers nor delivery channels have the ability or the will to invest in microinsurance. Donors also finance market education campaigns, or finance the market studies that provide the quantitative basis for business strategies. This research is important, as risk data and information have been significantly limited to date, resulting in higher loadings to compensate for the uncertainties of the microinsurance market. Donor support also includes a variety of capacity building and technical assistance programmes, such as those offered by the Gates Foundation funded International Labour Organization Microinsurance Innovation Facility.

Another major Gates Foundation funded intervention is the Access to Finance Initiative (AFI) which works to develop capacities between emerging and developing countries to dramatically enhance the volume and quality of financial products, including microinsurance, to and between low income markets. Launched in November 2009, Access to Insurance Initiative (A2II) is intended to "enhance broad-based, demand-oriented and sustainable access to insurance for low income clients; thereby growing financial inclusion in the insurance sphere". This partnership is hosted by German Technical Cooperation (GTZ) and partners include the International Association of Insurance Supervisors.

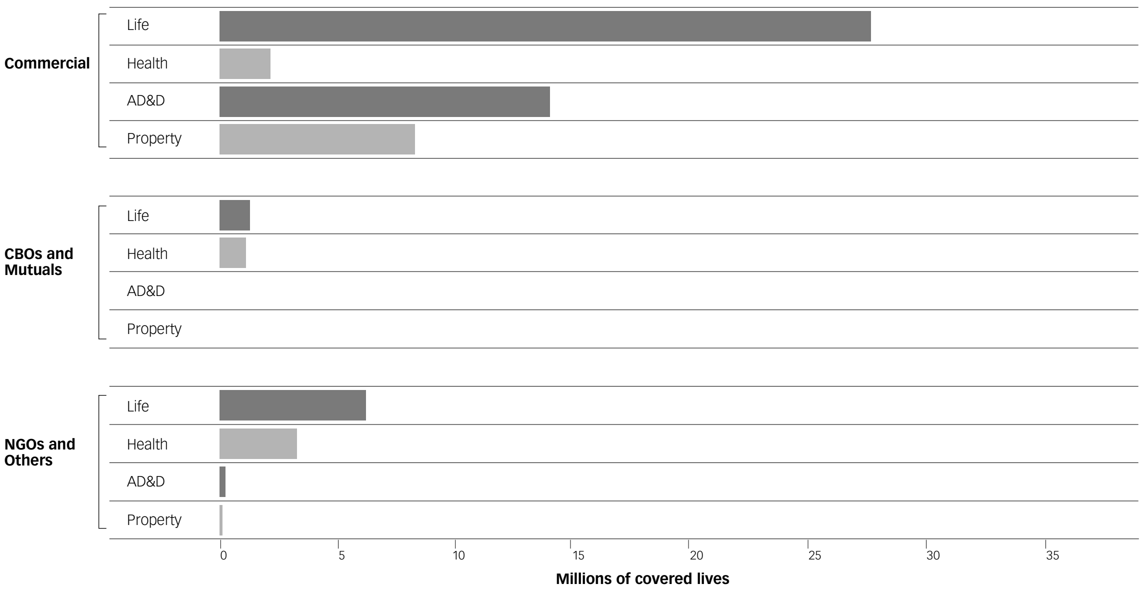
Figure 2. The role of policy and regulation in shaping the business environment of the microinsurance sector



Microinsurance products: an overview

It is estimated that microinsurance now covers about 135 million people. Solutions are offered for most risks covered in the traditional markets: life insurance, health insurance, accidental death and disability, and property insurance.

Figure 3: Covered lives by microinsurance product and insurer



Source: 2007 Landscape Study, MicroInsurance Centre (figures exclude the almost 30 million lives covered by the All China Federation of Trade Unions at that time)

Figure 3 shows the distribution of the main product lines among the three major microinsurance-providing entities: commercial; community based organisations (CBOs) and mutuals; and NGOs and others. As can be seen, for all product lines except health insurance, commercial insurers supply the largest percentage of policies. In many countries, the market is heavily concentrated, with one insurer accounting for the largest part of insured lives. Health insurance is provided largely by NGOs and other risk carriers, which are in some cases subsidised by donors.

Property insurance

Demand for property insurance tends to be much lower than for health and life insurance. Providing coverage for fire, theft and flood is difficult in low income markets. Some of the challenges include: lack of title deeds for informal housing, high claims handling costs and the difficulties of managing fraud risks. Also low income communities are often located in areas with higher exposure to natural hazards.

Demand for agricultural insurance (crop and livestock) is very strong in most rural areas. However, the costs and risks associated with small farmer cover can be major, especially if payouts are managed on an indemnity basis. Claims are difficult to validate, and moral hazard and fraud risks are high.

Catastrophic losses to property and agriculture are becoming more visible, and are attributed in many instances to the impact of climate change. Reinsurers including Partner Re, Swiss Re and Munich Re, have become active in this market. A consortium including the International Finance Corporation and Partner Re have combined efforts to develop a new reinsurance company, Index Re, specifically to address some of these issues. At the same time, much is being done to consider the related issues of adaptation, recognising that the effects of climate change related catastrophes may be better addressed through adaptation.

Index insurance

Index insurance is being proposed as a solution to the problems of property insurance, especially for drought in the agricultural sector and catastrophic risks such as floods, earthquakes, and typhoons. For a holder of an index policy, payments do not depend on his or her individual losses but on an objective index such as rainfall level or earthquake magnitude. Once an index is calibrated and correlates well with actual losses, underwriting and claims verification costs for the insurer are minimal and moral hazard and fraud are virtually eliminated.

On the supply side, investments in weather index insurance are considerable and reinsurers, such as Munich Re and Swiss Re, are heavily involved in research and development in this area. There is an increasing variety of products being tested in pilot projects across the developing world (examples of which are outlined in the following case study).

INSURING GOVERNMENTS: MEXICO AND THE CARIBBEAN

FONDEN, the Mexican natural disaster relief fund, provides a good example of a government buying a macro index insurance product. Swiss Re suggests that this is the first index insurance product bought by a government and the first catastrophe bond issued in Latin America.

The index reinsurance solution for FONDEN provides cover for earthquake risks that are beyond the capacity of the fund. According to Swiss Re "three events of $150 million each… are covered within a three-year period." The index is based on earthquake magnitude as measured on the Richter Scale. Part of the risk is placed on the capital markets as Cat Bonds ($160 million) and the remainder is reinsured.

A further example of macroinsurance aimed at indirectly protecting low income groups through insuring governments is the Caribbean Catastrophe Risk Insurance Facility (CCRIF), which involves the Lloyd's market on the reinsurance side. CCRIF was set up in 2007 with funding and support from the World Bank and other donors. It pools the natural catastrophe risks of 16 Caribbean countries into one facility and offers coverage that was previously unavailable in the commercial markets, or only at high costs. The facility paid over $6 million to the Turks and Caicos Islands after Hurricane Ike and has expanded to provide greater coverage at each subsequent renewal. The success of CCRIF is expected to be followed in other catastrophe exposed regions and several initiatives are already underway.

Source: Swiss Re, sigma 1/2007; CCRIF "Scaling up index insurance", MicroInsurance Centre, 2007.

Life insurance

Life insurance is the most prolific microinsurance product in developing countries according to the number of policies sold. Most of this is credit life insurance, typically compulsory and covering the outstanding balance of a loan on the death of a borrower. Overall, most life microinsurance products are short term.

Term life insurance is easy to provide, and has already proved to be profitable. Many MFIs offer mixed credit and life insurance. An example is the microfinance arm of ABA (Alexandria Business Association) in Egypt: if a borrower dies, his or her family receives the full initial loan sum less the outstanding credit.

There is high demand for life insurance that provides more substantial coverage in case of death of the breadwinner. In many African countries, for example, life insurance that covers funeral costs is very popular.

"The products most in demand in this under-served market, such as health insurance, are precisely those that are the least available "
Craig Churchill, ILO

Health insurance

Almost all surveys have shown that health insurance is the product most demanded by low income groups. Health issues not only mean treatment expenses, but also result in income losses, not only for the affected person, but also for family members who, whilst providing care, may not be able to engage in productive work.

The health microinsurance products that are available are limited, relatively small in terms of lives covered, and in some cases, donor-funded and subsidised. Nevertheless a number of schemes exist. Outpatient, hospitalisation and comprehensive policies are available in several countries. Variations include hospital cash models, which provide a fixed sum per day in hospital, and targeted benefit models, which provide coverage for a precisely defined list of treatments.

"Increasingly, however, supervisors and other microinsurance promoters realise that a more conducive and enabling regulatory environment is required for the development of microinsurance."
IAIS

Accidental death and disability

Demand for this coverage is high and this is also a common microinsurance product. Accident cover is one way for insurers that are not life insurers to legally address a type of life cover. Disability is more difficult to manage with efficient and cost effective controls.

THE FUTURE: A BILLION CLIENTS IN 10 YEARS?

The MicroInsurance Centre estimates that over the next 10 years the microinsurance market could grow to one billion policyholders, a third of the potential market of 3 billion and seven times more than today's estimated market size . This shows the potential of microinsurance both as business and as outreach to low income groups. Assuming microinsurance will grow in this way, how should we tackle the critical challenges of such massive growth?

We begin with the short term future, and examine five areas:

- Product innovation: What products will emerge in credit life insurance, health insurance and agricultural insurance?
- Distribution models: Which partners - NGOs, community-based organisations, international reinsurers, donors, MFIs or governments - do we need to work with?
- Technological development: Which high tech solutions will work in low income markets?
- Insurance culture in low income markets: How can we assist potential customers to become familiar with insurance, and better understand low income markets ourselves?
- Changing risk landscape: Which factors - population growth, economic development, urbanisation, and climate change - will characterise this market in the future?

> *"We are currently at the crossroads for microfinance to become a fully fledged and recognised global industry service. Microinsurance will follow microfinance."*
> ***Peter Hoppler, Swiss Re***

> *"Only the commercial insurance sector has the resources (financial and technical) to massify microinsurance outside of social security."*
> ***Jim Roth, LeapFrog Investments***

Table (iii): Strategies for overcoming key challenges for the growth of microinsurance

Clients	• Cultivating an insurance culture in low income markets • Satisfying unmet needs and demands for new risk management tools • Providing effective client education • Offering real value for money
Insurers	• Finding new business and distribution models • Building staff and management capacity • Enhancing efficiency by organisational and technological innovation • Managing and leveraging a paradigm shift to product and process simplicity • Identifying profitable schemes

Regulators	• Removing regulatory obstacles • Adopting a market development agenda • Incentivising commercial insurers to move into lower-income markets • Developing systematic and comprehensive approaches to regulation
Environment	• Generating and using reliable insurance data • Contributing to stable macroeconomic conditions • Preparing for climate change and catastrophic risks • Developing an infrastructure to facilitate catastrophic risk insurance approaches • Implementing effective market education programmes • Improving healthcare facilities
	Source: Botero et al, 2006, The Microinsurance Compendium.

Product innovation

A 2005 survey by The Economist found financial services for low income communities to be either inaccessible or of "awful" quality. One noticeable change has been a greater diversity of interesting products.

Life insurance

A significant proportion of microinsurance in the developing world remains credit life insurance: around 30% on average. Many criticise the compulsory credit life insurance provided by MFIs on the grounds that it can be overpriced and aims to protect credit portfolios rather than give value to clients.

However, there are some more optimistic evaluations. Credit life insurance is generally cheap to distribute and can serve as a good starting point to familiarise clients with the concept of insurance. Moreover, better value for policyholders can easily be added to basic credit life products once they are introduced and prove profitable. For example, policy terms can be decoupled from loan durations and much higher coverage than just the loan balance can be offered.

Health insurance

"Among all the uncertainties and challenges faced by low income people in their day-to-day lives, most of the communities tell us that health is the top priority," writes Francis Somerwell of Microcare, a health insurer in Uganda. Demand surveys in low income markets invariably confirm this observation. But the practical difficulties of health insurance are daunting. Claims handling is expensive because of the large numbers of cases. Access to healthcare and/or quality of healthcare may be poor in a particular country, which limits the value of any health insurance provided. Other problems that are expensive to control are fraud, both by those insured and healthcare providers; as well as moral hazard and anti-selection.

Nevertheless, the demand and supply challenges have been a stimulus for innovation, and there are now a diversity of health insurance solutions, mainly in Africa. Prospects for success are unclear at this stage, but it is possible that as insurance improves access to healthcare for low income groups, the increased demand and more effective control of costs and fraud may lead to a “big push” in the quality and quantity of healthcare provided.

Agricultural insurance

Agricultural insurance is widely available for large producers in industrialised countries, although even in these countries, few such schemes have proved economically sustainable without subsidies. Agricultural insurance ranks second in many demand surveys. Small producers in developing countries want it mainly to cover loss of crops, livestock, plantations and farm equipment. Challenges for insurers include the high cost of distribution, the high costs of loss assessment and claims handling, and difficulty in controlling fraud and moral hazard. Local schemes struggle with correlated risks, such as droughts, that affect whole regions and therefore most clients. Nevertheless some isolated success stories exist, most of them subsidised.

Index insurance

Index insurance or parametric products appear to be promising solutions for some of the challenges of agricultural insurance, particularly weather-related risks. Once a product is calibrated, there is no need for individual assessments of insured values and risks, and in the case of claims, no adjustment procedure. The index, measuring for instance too much or too little rainfall, determines the payments.

Reinsurers have invested heavily in the development of index solutions, often in collaboration with research institutes and primary insurers. IFC of the World Bank Group has initiated a Global Index Reinsurance Facility and Swiss Re has declared “agricultural risk solutions” a top priority. A large diversity of index products are currently being tested in pilot stages.

Reactions to some of these products have been mixed. One perceived drawback is basis risk: the possibility that a particular policyholder or group of policyholders will not receive payment despite having suffered damage. Distribution options are being tested, including distribution through lenders, group policies for large cooperatives and associations, and index insurance for public sector entities or a government as a whole.

INDONESIA: INDEX-BASED FLOOD INSURANCE WITH A CREDIT CARD SIZED POLICY

Inhabitants of certain areas of Jakarta are being offered flood insurance in the form of a card valid for one year. If water levels at a given gauge rise above the "trigger" of 9.5 metres, holders of the card can claim a payment of 250,000 Indonesian Rupiahs ($26). The premium is 50,000 Indonesian Rupiahs ($5.2). As an index product, the flood insurance requires neither assessments of flood risk, nor of property values, nor a claims adjustment procedure in case of damage. Coverage can be increased by buying several cards.

The product, launched in May 2009, was developed by GTZ, Munich Re (reinsurer), and Asuransi Wahana Tata (insurer and risk carrier).

Source: Munich Re, Asuransi Wahana Tata.

PHILIPPINES: TYPHOON INDEX CROP INSURANCE FOR RICE FARMERS

Under this index insurance, payout to a policyholder is triggered if their farm lies within the path of the typhoon. The sum paid out depends upon three factors: coverage, distance from the typhoon path and wind speed. Premiums are at 8-10% of production cost.

The product is marketed by MicroEnsure, a microinsurance agent, which has also led its development. Malayan Insurance Co. is the underwriter, Paris Re the reinsurer. Data for the index is provided by the Japan Meteorological Agency. Banks, MFIs, Cooperatives and farm suppliers sell the policies.

A pilot, launched in Spring 2009, offered policies to about a 1000 farmers. MicroEnsure hopes to have 2000 to 3000 policyholders by the end of 2009 and up to 3.5 million joining over the next three years. "Now that climate change is disrupting the usual weather patterns and threatening the country's food security, farmers are more in need of insurance protection against the elements," explains EG Manuel of Malayan Insurance Co.

Sources: MicroEnsure, Malayan Insurance, Yuchenco Group, BusinessWorld online.

Innovating the microinsurance value chain

The distribution model for bringing simple insurance products to low income groups is usually a partnership between an insurer who carries the risk and a distributor with established relationships with a large number of clients (for example the MFI Compartamos in Mexico with over 800,000 low income borrowers). How efficiently this model evolves depends on governments, regulators and donors and on further capacities being available in the market.

Meanwhile interesting new options are being explored in several countries:

Insurance as a commodity
Can simplification be pushed so far that insurance becomes a commodity that can be sold by almost anyone? Index insurance solutions are advances in this direction. Another example has been a personal accident product distributed as a policy printed on fertilizer bags in India by Iffco-Tokio.

Unorthodox delivery channels
Any institution with access to low income clients may sell insurance provided local regulations allow this. Funeral parlours in South Africa and elsewhere sell funeral insurance. Life insurance is sold from internet kiosks in India. Vendors sell livestock index products in Mongolia. An insurer in Eastern Europe plans to have property products delivered by tax collectors. The future will see significant expansion of microinsurance through a vast array of such unorthodox delivery channels.

Reinsurance for local mutual schemes
According to Ralf Radermacher of the Micro Insurance Academy, "Mutual schemes ... must be able to cede risk to reinsurers and to obtain the necessary capacity building. This allows the advantages of small groups to be combined with an insurance necessity: pooling on a large scale".
The advantages of such schemes include social control of adverse selection and fraud, as they are locally based and share risks informally among their members. However correlated risks, such as droughts or epidemics, may overstrain their capacities. The linking of small, local, mutual schemes to primary insurers in the formal sector will present an opportunity, particularly if these schemes are pressurised by insurance supervisors to move to the formal sector.

> *"Disadvantaged people, whose lives are disproportionally impacted by catastrophes, can be served in a commercially sustainable way."*
> ***Pane Stojanovski, RMS***

Classical reinsurance
For small schemes, the benefits of working with reinsurers, apart from the reinsurance itself, would include capacity building, risk management support and collaborative product development. Reinsurance can help microinsurance schemes to expand both in risks covered and in product

diversity. In Colombia, for example, Munich Re has effectively developed microinsurance products with its partner Suramericana to create flexible products that even took clients away from the mutual insurer. MicroEnsure, a microinsurance agent and broker working in a number of countries, has strong links with reinsurers to cover index and other products. The role of the reinsurer will become much more important to microinsurance as products increase in complexity.

Insurance for the lowest income population

The lowest income population may be covered by implicit or explicit insurance provided by governments and other organisations, such as health insurance and social security in the widest sense. The consensus, however, is that commercial insurance will not reach the lowest income population (those in the bottom 10% to 15% of the economy). This may change in the future as governments focus more clearly on this constituency. A recent example has been the government of Georgia, who recognised that they were unable to effectively cover the health care needs of the low income communities in their country. Therefore Georgia quantified the poverty level of its citizens, and paid premiums to commercial insurers to cover the lowest income 25% of its population.

Technology

Communication and information technologies have had unforeseen impacts in developing countries. In 2009 The Economist, in its Mobile Money Survey, concluded: "new uses for mobile phones could launch another wave of development". Jeffrey Sachs, director of the Earth Institute at Columbia University stated in the same report that he considers mobile phones to be "the single most transformative tool for development" by facilitating business: phone calls may substitute for costly travel, text messages may supply farmers with weather forecasts, and market information is easily passed on.

> *"Technology does two key things that help drive the development of financial services: it cuts costs, and bridges physical distance."*
> ***World Resources Institute***

Subscriptions for mobile phones in developing countries have grown from a few hundred million at the beginning of the century to three billion in 2008, and in Africa there are on average 40 mobile phone subscribers per hundred people. The spread of the internet is lagging behind mobile phones but is showing similar growth trends.

What will this mean for microinsurance? A pointer to the future is the way one insurer in Eastern Europe is developing an SMS-based fast claims handling procedure in health insurance, which works as follows: a doctor who verifies a claim sends a text message to a server, with codes for the patient and the required treatment. The automated response to the physician includes an authorisation to withdraw the insurance payment from an ATM. The system is designed to provide cash in case of a medical emergency to the patient as fast as possible, leaving the claims handling paperwork for later. Similar solutions can be internet-based, sending money to a mobile phone, or directly to a healthcare provider.

The internet, mobile phones and chip cards have the potential to reduce costs and increase the outreach of microinsurance throughout the supply chain. Agents and clients will submit applications electronically, policies will be automatically generated and distributed online, and electronic/automated premium payments will all further increase efficiency. Tata AIG in India already provides online information, application forms and premium calculators for its microinsurance products. Additionally, Microcare in Uganda provides online client registration and application forms.

A significant benefit in the move from paper-based to electronic processing is the quick generation of detailed data, which allows for better mortality and morbidity studies, better pricing and broader understanding of the risk within a particular market. If used effectively, it offers the potential to create products that are better fitted for a market.

Who would have predicted credit card sized insurance policies or the widespread use of mobile phones for payments and banking ten years ago? Clearly if microinsurance is to reach massive numbers, technological innovation will make it happen.

Insurance culture

Microinsurance demands cultural change by all involved. Insurers need to understand their low income clients as much as the potential clients need to understand insurance. Non-commercial delivery channels have to become familiar with their commercial partners, and vice versa.

Michal Matul of the Microinsurance Innovation Facility at the ILO explains some of the barriers: "In most of the developing countries, low income clients think they do not need insurance, they do not trust insurers, they do not understand fully the risk-pooling concept, and strongly believe insurance is just for the rich and that they do not have enough resources to pay for it." In the experience of Francis Sommerwell of Microcare "it takes a lot of time before ... people will trust a product. However once you have a successful and trusted product, word of mouth and testimonial marketing work effectively."

TAKAFUL: AN ISLAMIC INSURANCE SYSTEM

Takaful, meaning "joint guarantee" in Arabic, is an insurance model that complies with Islamic law. Its central principles are mutual assistance based on voluntary contributions and collective risk bearing. Interest rates, gambling, uncertainty and profits from the losses of others are avoided as they are deemed to be un-Islamic. In practice, a Sharia board oversees the scheme, which includes the investments of premiums and savings. Growth rates for the Takaful market were estimated at 25% for the period 2004-2007, according to Swiss Re.

Microtakaful products, sometimes referred to as Sharia microinsurance, can increase the outreach of insurance to low income groups, who may hesitate to buy conventional insurance out of religious considerations.

INDONESIA: PAYUNG KELUARGA (FAMILY UMBRELLA)

Allianz Life Indonesia offers a microtakaful life insurance that is distributed via MFIs to its lenders and primarily provides coverage in case of the death of a family breadwinner. According to Jens Reisch, CEO of Allianz Life Indonesia, the product is the first of its kind sold by an international insurer. Similar products being planned include health insurance and property coverage against natural disasters.

Sources: Allianz, Swiss Re (sigma 5/2008).

The development of an insurance culture involves both understanding and trust. It needs a careful combination of marketing, market education and a process of allowing clients to experience the tangible positive effects of insurance. In order to have a sustainable impact, market education efforts require perseverance. A variety of channels are needed to reach target groups, taking into account literacy levels. Many of the following suggestions are already being tested:

- Governments providing financial education as a public good
- Politicians or celebrities advocating and explaining insurance
- Associations of insurance companies promoting insurance in joint projects
- Donors, international organisations and NGOs providing financial literacy campaigns (TV, videos, radio, music, games and even street theatre are being tested)
- Associations, employers and other organisations buying group policies for their members
- Governments introducing compulsory insurance as a way of generating positive experiences
- MFIs selling compulsory credit life insurance, in part to familiarise clients with the concept
- Provision of health insurance and other social security programmes to the very poor
- Provision of aid to the very poor in the form of insurance rather than distribution in cash or in kind
- Insurers and reinsurers sharing their experiences in low income markets through publications and conferences
- Mutual insurance schemes and community based organisations spreading the experience of risk pooling
- Researchers studying the different financial education campaigns and microinsurance products to find out what works best

Success in market awareness will depend on perseverance and a good blend of initiatives. This will undoubtedly take time, but the initial signs are encouraging.

CONCLUSIONS

Those with the least ability to adapt are being affected most by climate change, population growth and rapid urbanisation: there has never been a greater need to protect these communities.

Governments are increasingly recognising this and contributing to insurance schemes in developing countries. We expect this trend to grow following the climate change negotiations at Copenhagen. Policymakers understand that insurers and reinsurers can only provide material cover in the long term if they can develop profitable business models. Whilst microinsurance so far has focused on life assurance, opportunities for property, agricultural and livestock cover exist.

Many communities already have existing coping strategies for risk, but they can be made more efficient.

Some are basic, simply to avoid taking risks at all, others might include self insurance through savings or sharing a risk with a wider community. Where these are working well they should not be disturbed, but in many cases they can be made more efficient. Risk pooling, via mutual schemes or commercial insurance, will lessen the financial impact of loss of livestock, crop failure or the death of family members, and can help keep whole communities out of the poverty trap.

Demand for insurance should not be taken for granted. The perception of insurance in the developing world is often negative and an innovative approach to market education and incentives is called for.

Many people in the developing world are not familiar with the concept of insurance. Insurers must build trust through innovative approaches, including literacy campaigns and plots in TV and radio programmes, to explain the benefits of insurance. Alongside developing market education other incentives, such as tax exemption, subsidies, and even compulsory cover, will be required to generate demand.

Pilot microinsurance schemes have paved the way for huge potential growth in insurance over the next 10 years.

Most markets in the world remain untapped by insurers. It is estimated some 1.5 to 3 billion insurance policies are waiting to be sold to a rapidly growing market in the developing world. Business growth of over 10% p.a. has been observed in developing countries recently and some believe that a seven fold increase is possible over 10 years.

Insurance innovation and new, less conventional partnerships are essential first steps to a truly global insurance market.

Lloyd's is renowned for insurance innovation and the market was involved in the founding stages of the Caribbean Catastrophe Risk Insurance Facility which brought governments and industry together to payout claims quickly following a hurricane, using indices from risk models. Other innovative approaches to insurance, involve mobile phones or chip cards to provide policy details and therefore reduce distribution costs. Takaful insurance, which is beginning to grow in the London insurance market, has been described as "Sharia Microinsurance" as it respects Islamic laws. Partnerships with NGOs, aid agencies, governments and companies can all be used to reach the people that need the cover, and keep distribution costs down. If innovative approaches are required, Lloyd's can expect to play a key role in driving development.

There will be significant benefits to (re)insurers who establish an early position in this emerging market.

Establishing business in developing countries will provide an opportunity to gain a foothold in profitable, new and rapidly expanding markets. This will enable (re)insurers to diversify their business portfolios away from traditional markets and first movers are likely to gain a significant advantage by building trust with all stakeholders. In addition, reputational benefits may arise from doing business in developing countries.

Regulators and policymakers must balance the need to protect customers with encouraging industry innovation and growth.

Products designed for the developing world must be tailored to their specific needs. Similarly, insurance regulations developed for traditional insurance markets will need to be adapted for developing countries, so they both protect local communities and encourage insurance markets to grow.

BRIEFING NOTE 7

Microinsurance Innovation Facility

micro Insurance Innovation facility
PROTECTING THE WORKING POOR

International Labour Organization

BEYOND SALES: NEW FRONTIERS IN MICROINSURANCE DISTRIBUTION

Lessons for the next wave of microinsurance distribution innovation

Anja Smith, Herman Smit and Doubell Chamberlain
March 2011

Achieving scale through cost-effective distribution is one of the biggest challenges facing insurers in low-premium environments. The emphasis is increasingly falling on innovative distribution models as alternatives to traditional microinsurance distribution approaches, which typically rely on microfinance institutions. During the last decade, insurance providers and their distribution partners have been experimenting internationally with developing and extending products to clients in new ways. This note[1] takes stock of fourteen microinsurance business models in South Africa, Colombia, Brazil and India that use alternative distribution channels. It provides a summary of the cross-cutting issues and trends emerging across the different distribution models.

RETHINKING DISTRIBUTION

Defining the alternative in microinsurance distribution

There is no fixed definition of what qualifies as an alternative distribution model as it is, in fact, the diverse, innovative and evolving nature of such models that defines them. For the purpose of this note, alternative distribution is defined as voluntary insurance models utilising partnerships with institutions traditionally not in the insurance space.

These models share the following characteristics:

- *Scale through aggregation:* Ability to achieve scale by targeting large non-insurance client concentrations such as clients of retailers, cell phone companies, utility companies etc.
- *Presence of infrastructure footprint:* Alternative distribution models typically rely on the presence of an infrastructure footprint that is larger than what could be achieved by an insurance company in isolation. The infrastructure could be physical (e.g. store buildings) or virtual (e.g. a cell phone network).
- *Transaction platform:* The sales channel typically doubles as a premium collection platform, e.g. adding premiums onto a utility bill.
- *Standalone voluntary product:* Models distribute voluntary insurance products sold on an "opt-in" rather than "opt-out" basis. Buying insurance is an explicit choice by the customer, rather than an automatic addition to another product or service.
- *Trusted brand:* The majority of models rely on a distribution partnership with a well-trusted brand.

Box 1 Distribution is not only sales.

Distribution refers to all interactions that have to take place between the underwriter of the risk and the ultimate client. This includes policy origination, premium collection and policy administration, as well as all marketing, sales and claims payment activities. This process may involve several different entities including insurance companies, outsourced administrators, third-party payment providers and the client aggregator or distribution partner.

Passive vs. active sales models

Alternative distribution models can employ a passive or active sales model. Purely passive sales are where the prospective client is provided with no prompting or verbal communication on the product.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[1] This brief is excerpted from the Microinsurance Paper no. 8, which includes the relevant citations and details on methodology and the models reviewed. The paper is available at www.ilo.org/microinsurance. Anja Smith, Herman Smit and Doubell Chamberlain are part of The Center for Financial Regulation and Inclusion (CENFRI).

An example of this is when insurance products are placed on a shelf at a retailer and clients purchase them along with their groceries without any prompting from retailer staff. In contrast, purely active sales are where a representative of the insurer (or distribution partner) informs a client of the benefits of a particular product. For most passive cases, the sales process is initiated by the client, while for most active cases the sales process is initiated by the intermediary. The decision on which sales approach to utilise is often influenced by regulatory considerations. Passive sales processes tend to evolve in countries such as South Africa where market conduct regulation is relatively strict about who can qualify as an intermediary and how insurance products should be sold. This type of regulation makes it more costly to sell insurance products on an active basis.

What is balanced distribution?

The performance of a particular distribution model needs to be assessed from both the client and business perspectives. While the client acquisition and premium collection can be said to be most important to businesses, the claims processing phase (realising product value) matters most to the client. In the short term businesses have the greatest incentive to invest and innovate in the sales and premium collection phases and the least incentive to optimise claims processing. However, in the long run, business partners need an efficient and convenient servicing and claims processing system to increase customer loyalty and retention.

MEET THE MODELS

Four categories of distribution models emerge from the fourteen cases reviewed for this study. The distribution models have been categorised according to the distribution partner's primary business model and grouped by the similarity of their interactions with the client. Table 1 provides an example of each distribution model.

Cash-based retailers

Cash-based retailers, such as supermarkets and clothing retailers, mostly offer standalone, simplified insurance policies through a passive sales model. Staff members of cash-based retailers generally do not actively engage or "push" merchandise sales.

Credit-based retailers

Credit-based retailers, such as furniture and electronic goods stores, offer mostly credit-linked yet voluntary insurance policies that are tied to the repayment period. The retailers often have a dedicated sales force in the store to provide advice, structure repayment agreements, and offer insurance. Insurance is actively sold and usually relates to the credit agreement (credit life policies) or goods sold on credit (extended warrantees).

Utility and telecommunications companies

Utility and telecommunication companies offer insurance policies that relate to the primary relationship between the client and the service provider (e.g. electricity, gas or telecommunication bill) to their large pre-existing client bases. In most cases the distribution partner has extensive information on clients that can be used to design appropriately priced policies and marketing campaigns. The insurance policies often cover the client's contractual obligation to the provider in the case of death, illness, unemployment and/or disability.

Table 1 Examples of the distribution models[2]

Underwriter	Distribution partner(s)	Channel classification	Product and distribution description
Hollard Insurance (South Africa)	PEP	Cash-based retailer	Product: Individual and family funeral insurance, launched in March 2006, sold through low-income clothing and small appliance retailer, Pep. The product is sold off-the-shelf in packaging similar to cell phone starter packs, with no active sales by Pep staff. Monthly premiums are paid in-store in cash. Claims: Third-party administrator responsible for servicing policies and managing claims. Pep is responsible for cash premium collection. Enrolment: Significant take-up 215,000 policies in-force (2009).
MAPFRE (Brazil)	Bahia	Credit-based retailer	Product: Life, unemployment and personal accident insurance sold through low-cost electronic appliance store, Casas Bahia. The first product offering was launched in August 2004. Additional policy benefits include a lottery ticket and pharmaceutical discounts. Insurance is offered and explained to customers by Casas Bahia sales staff during the appliance sales process. Claims: Joint policy servicing and administration. Casas Bahia provides on-the-ground after sales support through their sales agents and assists Mapfre in back-office policy administration. Claims handled by Casas Bahia. Enrolment: Significant take-up.
Alico, Chartis (Colombia)	gasNatural Colombia	Utility and Telecommunications companies	Product: Personal accident, cancer, critical illness, home and small- and medium-sized business cover sold through gas utility company, gasNatural. The product, launched in 2003, sold via multiple distribution channels using the gasNatural bill payment system to collect premiums. Claims: Administration is performed by Alico and Chartis. Claims can be submitted either at gasNatural call centre or Alico and Chartis directly. Enrolment: Significant take-up; 783,224 Chartis policies and 59,892 Alico policies in-force (2009)
cover2go (South Africa)	wiredloop	Third-party bill payment provider	Product: Family funeral product sold through rural vendor network, Wiredloop, with the use of GPRS-enabled point of sales terminals. The products are sold on a passive basis. Claims: Wiredloop is responsible for registering clients and collecting cash premiums. Cover2go is responsible for policy servicing and claims. Enrolment: Low levels of take-up; less than 1,000 policies sold (2010).

[2] Details on all fourteen cases can be found in Microinsurance Paper n°8, ILO, 2011

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Third-party bill payment providers

Third-party bill payment providers tend to offer simple life and personal accident insurance. Insurance providers have been able to increase product complexity when third-party payments systems are operated by individuals, compared to other similar systems with no human interaction (or policy document), as in the case of mobile phone-based insurance distribution using a short message service sent to a premium-rated short code.

EMERGING THEMES

A number of themes emerge from the fourteen models. Here we highlight some of the most prominent themes.

Distribution innovation has not been sufficiently client-centric

Most of the innovation observed in the fourteen insurance business models has focused on the components of the distribution process that offer immediate value or income to the insurance company. Client value is predominantly realised once the client is able to successfully file a claim on an insurance product. Although some of the models use detailed client information in designing their products, all of the models still require long and complex documentation for claims, which are generally not processed at the same, convenient place where the product is sold; thus processing times take more than a few days. Only one of the models reviewed, the partnership between Brazilian insurer Mapfre and furniture and white goods retailer Casas Bahia, allows for the processing of claims in-store, the place where the policy was purchased.

Models need to offer more services, close to clients

To offer value to clients, distribution channels and the partnerships behind these channels may want to focus on becoming "one-stop shops", with one location that is able to sell policies, collect premiums, and process claims. Not all of the distribution categories are suitable for this type of comprehensive client interaction. The channels most suited are those where there is some type of central service point within close vicinity of the client, and where the distribution channel also has electronic access to policy administration systems. Given the strengths and weaknesses of different distribution channels considered in Table 2, the channel most able to do this is the credit-based retailer. While cash-based retailers may be able to grow into this role, the absence of a financial services culture may make it more difficult. Telecommunications and utility providers may also struggle to evolve into one-stop shops as client interactions mainly tend to happen through the post or telephone. However, the providers could make better use of call centres and short message services (SMS) to communicate with clients to improve their overall service offering. Offering more services may also be difficult for third-party payment networks as they often deal with informal vendors where skill levels are low.

Successful partnerships keep evolving

The alternative distribution models rely on partnerships with organisations not traditionally operating in insurance. These partnerships can take different forms, including joint venture agreements where partners share in the profits generated through the partnership, or by treating the partner as an intermediary that receives a fixed percentage of commission. The nature of the relationship between the distribution partner and insurance company evolves over time as the distribution partner starts to realise the benefits of adding microinsurance products to its existing product range. Over time, this means that the distribution partner will have an incentive to play a larger role in product development. The most successful models are ones

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Table 2 Strengths and weaknesses of distribution channels

	Strengths	Weaknesses
Cash-based retailers (e.g. supermarkets and clothing retailers)	• Offers easy, low-cost access to existing customer base • Retailer has good understanding of customer needs • Motivated to offer higher value products to maintain/strengthen brand	• Cash-based premium collection may suffer from higher initial lapse-rates • Not oriented toward provision of financial services
Credit-based retailers (e.g. furniture and white goods store)	• High levels of persistency due to account-based premium collection • Sales point can double as a service and claims desk • Existing client information available (through credit repayment) to inform product design and distribution approach • Familiar with provision of financial services	• Credit-linked insurance sales, even when voluntary, often deliver low value to clients • Sales of insurance products besides credit risk may not be viewed as relevant to core business • Insurance cover period linked to credit repayment period
Utility and Telecommunications companies (e.g. electricity, gas and fix line telecommunications companies)	• Existing client information assists in product design and targeted insurance sales • Efficient payment collection due to presence of account relationship with client	• Low claims rates on personal accident products offered through these channels signal low value proposition to clients • Extensive involvement by broker/ administrator, distribution channel and third-party operators can increase management costs
Third-party bill payment providers	• Large distribution network with extensive formal and informal out-reach • Facilitates use of e-money for premium payments	• Low take-up due to passive sales • Premium collection using airtime as currency very expensive • Absence of trusted brand at sales point • Insurance company has little control over informal third-party bill payment providers

where the distribution partners view the insurance offering as an explicit client retention strategy and where there is a direct link between the insurance and the distributor's core business.

Further efficiencies in distribution required
Going forward, the achievement of greater efficiencies in microinsurance is likely to require even more focus on lowering distribution costs. This may eventually require concerted efforts to start limiting the number of entities (e.g. brokers) in the value chain, which is likely to have implications on the way insurance companies choose to structure their partnerships with distribution channels. Insurers and their distribution partners will have to carefully consider their commission levels and profit sharing arrangements.

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Partners' commitment to client value matters

Distribution partners are increasingly becoming involved at the various stages of the product life cycle, including product development. In most cases, this is in the interest of the client where the distribution partner is trying to limit its exposure to reputation risk by ensuring good value for the client. Rather than simply increasing the prices of its funeral products, retailer Pep and Hollard Insurance developed and re-launched a new product when they realised they had significantly under-estimated the mortality risk in the market. This was done to ensure that Pep's brand did not suffer damage. However, there are also cases where the distribution partner does not have such a strong interest in protecting its brand, and its closer involvement in the insurance process may simply be to maximise its income. Insurers need to think carefully about whom they choose to partner with and whether these entities have the interests of clients at heart.

The last word rests with the client and if insurance companies are unable to offer value where and when it is most needed, the success of microinsurance will be threatened. The initial success associated with acquiring new microinsurance clients through alternative distribution channels will not be sustained if insurers and their distribution partners are unable to innovate on claims processing and servicing (as part of the larger distribution process). Such innovations from microinsurance can hold lessons across all market segments of the insurance business.

Housed at the International Labour Organization's Social Finance Programme, the **Microinsurance Innovation Facility** seeks to increase the availability of quality insurance for the developing world's low-income families to help them guard against risk and overcome poverty. The Facility was launched in 2008 with the support of a grant from the Bill & Melinda Gates Foundation.
See more at www.ilo.org/microinsurance

The **Centre for Financial Regulation and Inclusion** (Cenfri) is a non-profit think tank based in Cape Town and operating in collaboration with universities in the region. Cenfri's mission is to support financial sector development and financial inclusion through facilitating better regulation and market provision of financial services. We do this by conducting research, providing advice and developing capacity building programmes for regulators, market players and other parties operating in the low-income market. http://www.cenfri.org/

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SOCIAL FINANCE

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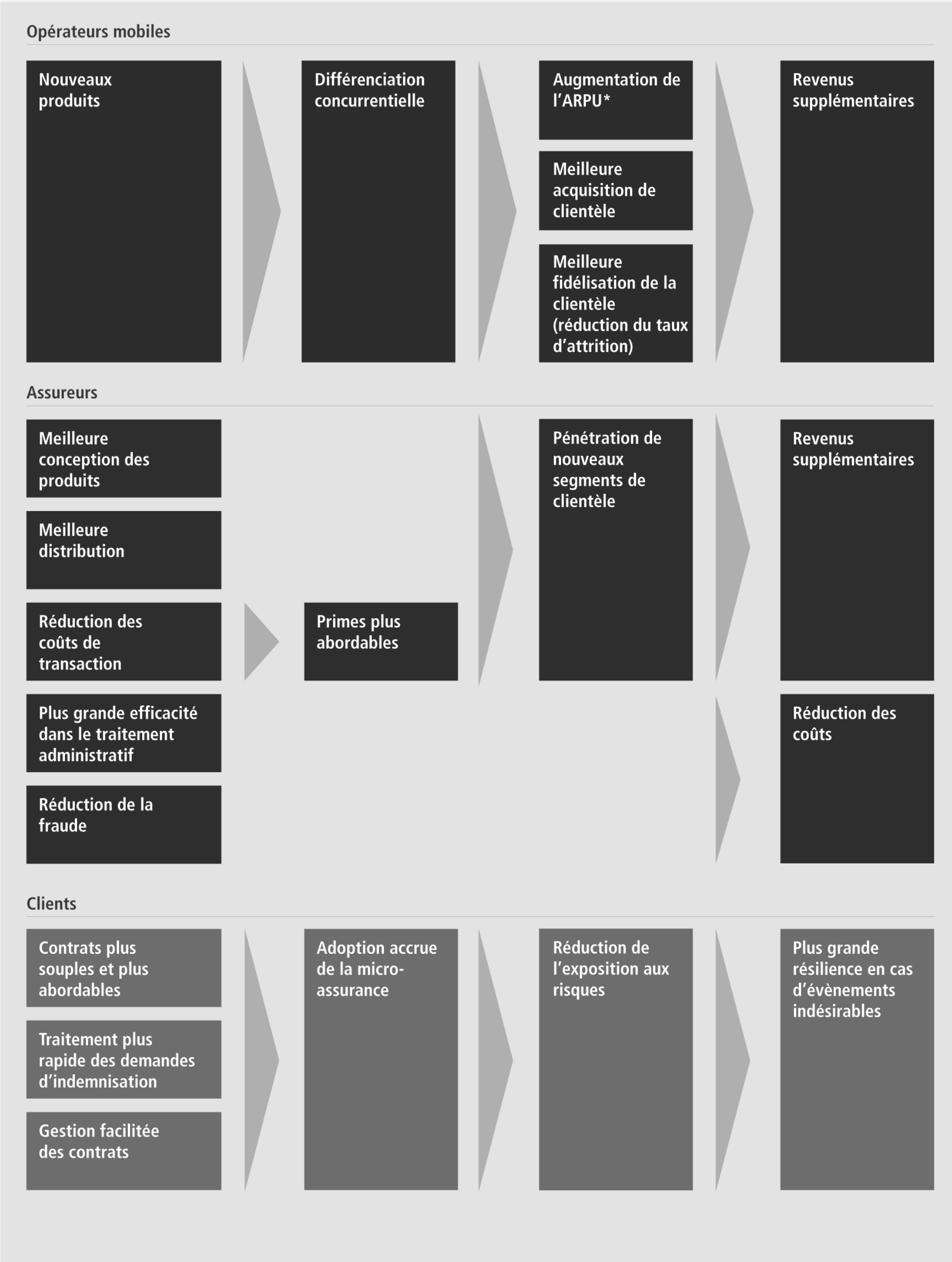
Les promesses de la micro-assurance mobile

Selon la manière dont elle est mise en œuvre, l'utilisation des infrastructures mobiles pour la micro-assurance peut offrir de nombreux avantages, que ce soit pour les opérateurs, les assureurs ou les clients.

Figure 1



* Average Revenue Per User (Revenu moyen par utilisateur)

Les atouts des opérateurs mobiles pour l'offre de produits de micro-assurance

Les opérateurs de réseaux mobiles contrôlent un certain nombre de canaux de communication qui peuvent aider à promouvoir, vendre, et faciliter la souscription à des produits de micro-assurance. Les opérateurs de réseaux mobiles disposent en effet de vastes réseaux physiques et virtuels capables de toucher de façon très économique un grand nombre de clients, dont notamment les clients non bancarisés.

La figure 2 ci-dessous offre une vision synthétique de la manière dont les assureurs peuvent tirer parti des canaux de communication, des réseaux de distribution et des mécanismes de paiement mis en place par les opérateurs de réseaux mobiles; nous passerons dans ce chapitre chacun de ces éléments en revue.

Figure 2

La chaîne de valeur de la micro-assurance

Infrastructures mobiles correspondantes	Conception et tarification des produits	Marketing	Vente	Souscription des contrats	Gestion des contrats	Traitement des demandes d'indemnisation	Versement des indemnisations
Canaux de communication ▪ Voix (téléphone) ▪ SMS normaux et premium ▪ USSD		Les assureurs peuvent utiliser les canaux de communication des opérateurs pour faire la promotion de leurs produits		Les clients peuvent souscrire par eux-mêmes via leur téléphone portable	Les assureurs peuvent répondre aux demandes de renseignement de routine des clients par voie téléphonique	Les clients peuvent soumettre leurs demandes d'indemnisation par voie téléphonique	
Ventes au détail et réseaux de distribution ▪ Revendeurs de crédit téléphonique ▪ Agents d'argent mobile			Les revendeurs de crédit téléphonique et les agents d'argent mobile peuvent informer les clients sur la micro-assurance	Les revendeurs de crédit téléphonique et les agents d'argent mobile peuvent distribuer et collecter les formulaires de souscription			
Mécanismes de paiement ▪ Comptes téléphoniques prépayés ou post payés ▪ Comptes d'argent mobile ▪ Point de paiement d'argent mobile au guichet				Les clients peuvent s'acquitter de leur prime d'assurance au moyen de crédit téléphonique, d'argent mobile ou au guichet			Les assureurs peuvent effectuer le versement des indemnisations sur les comptes d'argent mobile ou au guichet des agents
Données transactionnelles ▪ Crédit téléphonique ▪ Argent mobile	Les assureurs peuvent se servir des données transactionnelles pour la modélisation des risques et la tarification des produits						
Image de marque		L'alliance de marques permet de renforcer la confiance dans la micro-assurance auprès des segments à faibles revenus					

Les canaux de communication

Les opérateurs de réseaux mobiles disposent de toute une gamme de canaux de communication susceptibles de permettre la promotion, la vente et la souscription de contrats d'assurance. Ces canaux de communication peuvent également permettre aux assureurs de traiter des demandes de renseignement courantes et de gérer les comptes de la clientèle. Ils peuvent enfin faciliter la gestion des demandes d'indemnisation, laquelle constitue un des aspects les plus importants de la chaîne de valeur vers le client.[5]

Le canal téléphonique (voix) est le plus évident d'entre eux, et se trouve déjà largement utilisé de nos jours par les assureurs pour communiquer avec leurs clients. Le canal SMS est plus complexe à mettre en œuvre, nécessitant généralement une intégration avec un agrégateur SMS, mais peut s'avérer extrêmement économique pour l'envoi par exemple de rappels aux clients des dates d'échéance de leurs primes, car il est possible d'automatiser entièrement ce type d'envoi. Le protocole USSD (Unstructured Supplementary Service Data) permet de mettre en place des sessions interactives et sécurisées tout à fait adaptées à la souscription et à la gestion de contrats d'assurance, tout en restant accessibles aux téléphones portables bas de gamme. Les assureurs doivent toutefois généralement négocier directement avec des opérateurs mobiles pour pouvoir accéder à ce type de canal de communication.

MTN Ghana, Hollard Insurance, MicroEnsure et MFS Africa ont lancé en 2011 un produit de micro-assurance appelé « mi-Life », commercialisé par l'intermédiaire de la plateforme d'argent mobile MTN MobileMoney. Comme son nom l'indique, « mi-Life » offre la possibilité aux utilisateurs de souscrire une assurance-vie au moyen de leur téléphone portable grâce au canal USSD. L'interface permettant d'acheter le produit permet également d'en modifier les caractéristiques pour l'adapter aux besoins du client. Les utilisateurs peuvent initier des demandes de renseignement ou d'indemnisation et payer leurs primes au moyen de leur téléphone portable. Les primes d'assurance sont débitées mensuellement sur le porte-monnaie mobile des clients, qui en sont informés par SMS. Une fois la prime payée, l'assurance est valable un mois, jusqu'au prélèvement de la prime mensuelle suivante.

Le partenariat instauré entre MTN et les autres intervenants réduit le coût de l'assurance à travers la réduction des coûts de transaction et l'exploitation du vaste réseau de distribution MTN; un nombre important de clients est ainsi mis au contact du produit. Les contrats « mi-Life » du Ghana sont gérés par Golden Life Assurance Company avec le soutien de Hollard International.

La vente au détail et les réseaux de distribution

Les fournisseurs d'assurance ont la possibilité de mettre à profit les réseaux de distribution existants des revendeurs de crédit téléphonique et/ou d'agents d'argent mobile en tant que canal de distribution à faible coût. Ces agents sont susceptibles de fournir des explications concernant le produit aux clients peu familiarisés avec l'assurance, et de servir en outre de canal pour les notifications, le traitement des demandes d'indemnisation, voire même le versement des indemnisations.

L'utilisation des réseaux existants de revendeurs de crédit téléphonique et/ou d'agents d'argent mobile peut également permettre d'accroître la confiance dans la notion d'assurance, les clients étant souvent déjà familiarisés avec ces détaillants.[6] Toutefois, une certaine prudence s'impose. Pour que les clients aient une bonne compréhension de ce qu'ils achètent, les agents doivent être convenablement formés. Les opérateurs de réseaux mobiles ont appris à leurs dépens que la formation des agents pour la commercialisation des services d'argent mobile peut s'avérer difficile. L'identification d'incitatifs appropriés est tout aussi complexe. Si les agents sont surpayés pour la vente de polices d'assurance, ils risquent de recourir à des tactiques non recommandables pour placer celles-ci ; d'un autre côté, si leur rémunération est insuffisante, ils ne feront probablement pas l'effort d'investir le temps nécessaire pour éduquer les clients sur le produit.

La distribution de produits d'assurance est réglementée dans un certain nombre de pays ; par conséquent, les restrictions concernant les personnes habilitées à vendre des produits d'assurance peuvent limiter la capacité des assureurs et opérateurs de réseaux mobiles à utiliser des détaillants tiers comme canal de distribution de ces produits.

Les mécanismes de paiement

La collecte des primes représente un défi de taille pour le secteur de la micro-assurance. Les revenus de la clientèle visée sont souvent irréguliers et imprévisibles, et les clients concernés n'ont généralement qu'un accès limité aux mécanismes de paiement traditionnels. L'utilisation de nouveaux canaux pour l'encaissement des primes peut permettre d'améliorer les taux de renouvellement des contrats, notamment lorsque ceux-ci permettent d'offrir une certaine souplesse aux clients pauvres ne disposant que de revenus irréguliers.

Les infrastructures mobiles offrent quatre méthodes possibles de paiement des primes par la clientèle, ainsi que de versement des prestations d'assurance dans certains cas.

5. Insurance and Technology to Better Serve Emerging Customers: Learning to Improve Access and Service (« Assurance et technologie pour mieux servir la clientèle émergente : Apprendre à améliorer l'accès et le service »), Zurich Financial Services Group (disponible sur http://www.zurich.com/internet/main/SiteCollectionDocuments/insight/Insurance_and_Technology.pdf)
6. Promouvoir l'utilisation des services d'argent mobile auprès des personnes non bancarisées, Neil Davidson et M. Yasmina McCarty (disponible sur http://mmublog.org/wp-content/files_mf/mmudrivingcustomerfrench.pdf)

Les comptes d’argent mobile

Dans des dizaines de pays à faibles revenus, les opérateurs mobiles ont lancé auprès de leur clientèle des services de paiement par téléphone mobile.[7] Les clients peuvent ainsi se servir de leurs comptes mobiles pour payer leurs polices d’assurance, tout comme des clients à revenus plus élevés le feraient avec un compte bancaire. Les versements peuvent également s’effectuer sur ces comptes. Il ne s’agit bien entendu d’une possibilité que dans les pays disposant de plateformes d’argent mobile actives.

Kilimo Salama (« L’agriculture sans risques ») est un produit de micro-assurance indexé sur la météo et conçu pour protéger les agriculteurs contre les risques de sécheresse ou de pluies excessives. Il a été lancé en partenariat avec UAP Assurance, la Fondation Syngenta pour une agriculture durable et Safaricom. Les contrats Kilimo Salama sont commercialisés par des revendeurs indépendants de fournitures agricoles dans l’ensemble du Kenya.[8] Ces revendeurs utilisent un scanner relié à un smartphone (« téléphone intelligent ») qui permet une souscription immédiate en ligne, sans documents papier. Les stockistes encaissent les primes et les reversent à la compagnie d’assurance au moyen de M-PESA. Des stations météorologiques automatisées assurent alors la surveillance des chutes de pluie: si les enregistrements de la station montrent qu’une indemnisation est due, les versements sont automatiquement effectués via M-PESA en faveur des agriculteurs bénéficiaires.

Ce type d’assurance est également en train d’être adapté aux catastrophes naturelles, tels que les typhons affectant les communautés du littoral, sur la base d’un index de vitesse des vents, dans laquelle la localisation de l’assuré est enregistrée par GPS et le paiement des indemnisations est déclenché par la vitesse des vents et la distance de la tempête.

Paiements au guichet des agents

De la même manière qu’ils sont susceptibles d’être mis à contribution pour la vente des produits, les revendeurs de crédit téléphonique et les agents d’argent mobile peuvent également être chargés de l’encaissement des primes d’assurance en provenance des clients.

Comptes mobiles prépayés ou post payés

Dans un certain nombre de pays, les opérateurs de réseaux mobiles et les assureurs sont parvenus à mettre en place des mécanismes de paiement des primes d’assurance à partir des comptes mobiles existants de la clientèle, prépayés ou post payés. Ces dispositifs présentent l’avantage d’être accessibles à toute personne disposant d’un téléphone portable.

À la base de la pyramide, il reste probablement nécessaire d’associer ce mécanisme à un canal de vente physique, car les clients n’ayant pas d’expérience préalable des produits d’assurance auront certainement besoin d’une attention commerciale plus personnalisée.

Sans commission (programmes de fidélisation)

Enfin, les assureurs peuvent choisir de ne pas encaisser du tout de primes en provenance des clients, se tournant à la place vers les opérateurs de réseaux mobiles pour la prise en charge des couvertures d’assurance offertes à leurs clients.

Les programmes de fidélisation constituent une démarche marketing structurée qui récompense, et donc encourage, certains comportements d’achat, comportements suffisamment rentables aux yeux des opérateurs mobiles pour que ceux-ci veuillent en subventionner le coût.[9] Dans les pays où les clients ont souvent tendance à utiliser plusieurs cartes SIM, les programmes de fidélisation peuvent permettre de réduire les taux de désabonnement. Lorsque le bénéfice de l’assurance est lié à un certain niveau de dépense (par exemple, les rachats de crédit téléphonique), ce type de programme peut également inciter les clients à dépenser plus, ce qui a un effet positif sur l’ARPU.

Ce type de programme fait généralement l’objet d’un renouvellement mensuel, aussi longtemps que le client satisfait les exigences prévues. Lorsque ce n’est pas le cas, le client perd le bénéfice de l’assurance. Un facteur essentiel de succès pour ce genre de programme est la connaissance par les clients des avantages potentiels de la couverture d’assurance dont ils bénéficient.

7. GSMA Mobile Money Deployment Tracker (outil de suivi des services d’argent mobile de l’Association GSM, disponible sur http://www.wirelessintelligence.com/mobile-money/unbanked/)
8. Fact sheet: Kilimo Salama (“Safe Agriculture”): Microinsurance for Farmers in Kenya (feuillet d’information : Kilimo Salama « l’agriculture sans risques »: micro-assurance pour les agriculteurs du Kenya), Syngenta Foundation (disponible sur http://www.syngentafoundation.org/__temp/Kilimo_Salama_Fact_sheet_FINAL.pdf)
9.Loyalty Programs and Their Impact on Repeat-Purchase Loyalty Patterns: A Replication and Extension (« Les programmes de fidélisation et leur impact sur les comportements de répétition d’achat : réplication et extension »), Byron Sharp et Anne Sharp (disponible sur http://byronsharp.com/resources/6076.PDF)

En récompense de leur fidélité, Tigo Ghana offre une couverture d'assurance à ses abonnés prépayés ainsi qu'à l'un des membres de la famille de ceux-ci. Cette protection est souscrite auprès de Vanguard Life avec le soutien de Bima et MicroEnsure. Tout abonné enregistré qui dépense au moins 5 GHS (3 dollars US) par mois calendaire bénéficie d'une couverture d'assurance pour lui-même et un membre désigné de sa famille en cas de décès naturel. Le montant de la couverture d'assurance augmente avec le montant dépensé par le client, jusqu'à un maximum de 1.000 GHS (562 dollars US). Après que l'abonné se soit inscrit pour être assuré, Tigo lui envoie un SMS au début de chaque mois pour l'informer du montant de la couverture ainsi obtenue. En cas de décès par cause naturelle, c'est le membre de la famille enregistré au contrat qui est chargé de signaler le décès avec le certificat de décès du défunt afin de percevoir l'assurance. La couverture d'assurance d'un mois donné n'est transférable sur le mois suivant que si elle n'a pas fait l'objet d'une demande de versement pendant le mois écoulé.

Les produits d'assurance liés à des programmes de fidélisation ont pour grand avantage de faire bénéficier d'une couverture d'assurance des clients qui seraient autrement peu enclins à en faire l'achat. En faisant la preuve de la valeur de l'assurance auprès des clients potentiels sans leur réclamer une contribution financière de départ, les polices d'assurance liées à des programmes de fidélisation permettent d'améliorer la connaissance et la compréhension du concept d'assurance, augmentant ainsi la probabilité que des clients fassent ultérieurement l'achat de polices d'assurance par eux-mêmes.

L'opérateur Globe aux Philippines a lancé une expérience pilote avec Hospital Benefit Plan, un programme d'assurance médicale reposant sur la fidélité de ses clients et conçu spécifiquement pour tous les bénéficiaires qualifiés de virements effectués via GCASH. Pour chaque virement reçu, quel qu'en soit le montant en faveur du bénéficiaire aux Philippines, le bénéficiaire reçoit trente jours de couverture gratuite. Cette protection couvre l'ensemble des frais médicaux et d'hospitalisation, à l'exception de ceux liés au cancer, à la grossesse, aux blessures subies en cas de conduite sous l'influence de substances dangereuses et de certaines autres exclusions. La couverture est valable pendant les trente jours suivant la réception du virement et est cumulable ; la couverture totale augmente ainsi avec la fréquence des virements reçus.

Les données transactionnelles

L'une des principales difficultés rencontrées par les professionnels de l'assurance dans la conception et la tarification de nouveaux produits est l'absence de données historiques. La fourniture en temps réel d'informations d'assurance et de transactions mobiles (comportements d'utilisation de l'argent mobile ou du temps d'appel, « geo-tagging » ou balisage géographique, etc.) permet d'améliorer ce processus de façon spectaculaire en leur donnant accès à des données fiables pour l'identification de modèles de comportement permettant une meilleure compréhension de la clientèle, et donc par conséquent la conception de produits mieux adaptés à celle-ci.

La collecte et l'analyse des historiques de transactions mobiles sont également utiles pour la commercialisation des produits d'assurance, car elles permettent d'identifier les clients présentant un profil de risque moins élevé ou un besoin pour un produit d'assurance spécifique. L'enregistrement des informations peut également être amélioré, éliminant ainsi certains processus redondants et réduisant les risques de fraude. Et en ce qui concerne le versement des indemnisations, les données déjà disponibles réduisent le volume de documentation nécessaire et simplifient ainsi le traitement des demandes.

Image de marque

La reconnaissance et la confiance dans une marque jouent un rôle important dans n'importe quel secteur. La confiance dans le fournisseur d'assurance joue un rôle particulièrement important car un client potentiel ne souscrira à une police que s'il est sûr qu'en cas de sinistre légitime, il percevra l'indemnisation prévue. (C'est une des raisons pour lesquelles la micro-assurance a connu une diffusion plus lente que celle des micro-financements auprès des populations à faibles revenus.) Lorsque les conditions s'y prêtent, les opérateurs de réseaux mobiles peuvent faire usage de leur forte image de marque pour renforcer la crédibilité de l'offre des assureurs. Une récente étude menée au Ghana a par exemple montré que 70% des répondants préféraient acheter un contrat d'assurance auprès d'un opérateur de réseau mobile plutôt qu'auprès d'un assureur, probablement en raison de faible visibilité des compagnies d'assurances auprès des segments de clientèle à faible revenu.[10]

10. Mobile life insurance launches in Ghana—Interview with MFS Africa & Hollard Insurance (« Lancement de l'assurance-décès mobile au Ghana : entretien avec MFS Afrique & Hollard Assurance »), Developing Telecoms (disponible sur http://www.developingtelecoms.com/mobile-life-insurance-launches-in-ghana-interview-with-mfs-africa-a-hollard-insurance.html)

Le paysage global de l'offre des produits de micro-assurance

Cet échantillon de programmes de micro-assurance n'est pas exhaustif, mais il fournit une bonne image de l'éventail des différentes approches testées dans le monde. Beaucoup de ces produits sont encore en phase de pilotage, et tendent à se concentrer sur les formes d'assurance les plus simples, comme l'assurance décès ou accident.

Pays	Opérateur mobile	Assureur	Partenaires	Nom du produit	Description du produit	Utilisation de la téléphonie mobile
Afrique du Sud	Clickatell	Metropolitan Insurance		Cover2go	Couverture en cas de décès accidentel et de funérailles	Souscription via SMS et paiement des primes par crédit téléphonique
Afrique du Sud	Divers	Hollard Insurance	Take it Eezi (Sharedphone)	My Funeral Card	Produit d'assurance funérailles	Primes encaissées via le système de paiement «Take it Eezi» (carte SIM spéciale qui s'insère dans l'interface des appareils portables). Rappels SMS pour la collecte des primes
Bangladesh	Banglalink	Jiban Bima			Produit d'assurance sur la vie	Paiement des primes par téléphone
Ghana	MTN	Golden Life	MFS Africa, Hollard Insurance, MicroEnsure	mi-Life	Produit d'assurance-vie commercialisé auprès des abonnés de MTN MobileMoney	Enregistrement des demandes d'indemnisation, demandes de renseignement et paiement des primes au moyen de la plateforme d'argent mobile MTN MobileMoney
Honduras	Tigo	Seguros Ficohsa		Seguro Medico via Celular	Assurance prévoyant la couverture des frais médicaux en cas d'accident	Souscription via SMS et paiement des primes par crédit téléphonique
Inde	Airtel	Reliance Life Insurance Company Ltd	mChek	Plan gratuit d'assurance temporaire collective sur la vie	Couverture valable pour une période de 6 mois à compter de la date de souscription	Couverture fonction de l'utilisation du service au cours des six mois antérieurs. Enregistrement via SMS
Inde	IDEA Cellular	Birla Sun Life Insurance		Assurance temporaire collective sur la vie	Produit d'assurance-vie offrant un an de couverture aux personnes âgées de 18 à 35 ans	Enregistrement via téléphone portable après téléchargement d'un signal d'appel spécifique et fourniture d'informations personnelles (âge, etc.) via SMS
Inde	BNSL	MS General Insurance Company Ltd		Programme BNSL d'assurance personnelle en cas d'accident	Assurance accident offerte comme récompense de fidélité pour une valeur de 50.000 roupies (944 dollars US)	Assurance gratuite offerte à l'ensemble des abonnés de services mobiles post payés Enregistrement via SMS
Inde	Bharti Airtel	harti Axa Life (participation Bharti cédée à Reliance en juin 2011)		BEAM	Assurance IARD et sur la vie	Encaissement des primes et versement des indemnisations par téléphone portable

Pays	Opérateur mobile	Assureur	Partenaires	Nom du produit	Description du produit	Utilisation de la téléphonie mobile
Indonésie	Telkomsel	Takaful Safari Insurance, Jiwasraya Staco Insurance			Assurance accident pour un montant de 100 M de roupies (11.200 dollars US) offerte pendant les fêtes d'Idul Fitri	Souscription possible via T-Cash
Indonésie	Telkomsel	Commonwealth Life		Advanced Comm Care	Assurance accident commercialisée auprès de la clientèle T-Cash	Souscription via SMS et T-Cash
Kenya	Safaricom	UAP Assurance	Fondation Syngenta pour une agriculture durable	Kilimo Salama	Produit d'assurance indexé sur des mesures météorologiques et conçu pour protéger les producteurs de blé et maïs contre la sécheresse et les pluies trop abondantes	Encaissement des primes et versement des indemnisations via M-PESA. Scanners portables pour la mise en place des contrats
Kenya	Safaricom	Britak			Assurance accident personnelle	Souscription et paiement des primes via M-KESHO
Kenya	Ensemble des opérateurs offrant des services d'argent mobile au Kenya Tous les services d'argent mobile	Groupe d'assurance CIC		CIC M-Bima	Produit de capitalisation sur 12 ans combinant un support d'épargne et une couverture invalidité. Les clients sont encouragés à épargner; ils perçoivent des intérêts sur leur épargne et bénéficient d'une couverture immédiate d'assurance-vie	Encaissement des primes via les plateformes d'argent mobile (M-PESA, Airtel Money, Yu-Cash…) et rappels SMS hebdomadaires pour le paiement de celles-ci
Kenya	Safaricom		MicroEnsure, FrontlineSMS: Credit ChildFund	Akiba Sure	Produit associant un support d'épargne et une assurance-décès en faveur des enfants en cas de décès de leur gardien. Le produit d'une durée de deux ans repose sur des contributions d'épargne de 10 à 60 KES par (0,10 à 0,60 dollars US) avec reversement de l'épargne en fin de contrat en l'absence de demande d'indemnisation	Utilisation du logiciel PaymentView de FrontlineSMS: Credit pour le suivi des paiements M-PESA via SMS, suivi des progrès d'épargne des clients pour le respect des minima requis par le produit et messages de rappel et d'information par SMS
Kenya	Safaricom	GA Insurance Ltd	Chamgamka, Microhealth Ltd	Chamgamka,	Produit flexible associant épargne et assurance maladie mobiles conçu pour aider les familles à épargner en vue des frais de naissance	Cartes à puce de recharge téléphonique via M-PESA
Kenya		Kenya Oriental Insurance Ltd		Safari Bima	Couverture accident personnelle	Souscription par carte de forfait via SMS
Namibie (et Zimbabwe)	Econet	First Mutual Life	Trustco	Ecolife	Assurance pour la vie pour les clients Econet utilisant le prépaiement et respectant un minimum d'utilisation	Enregistrement via SMS

Pays	Opérateur mobile	Assureur	Partenaires	Nom du produit	Description du produit	Utilisation de la téléphonie mobile
Pakistan	ZONG	Adamjee Life		ZONG Assurance	Assurance décès accidentel et invalidité pour cause d'accident ou de terrorisme	Souscription via SMS à l'un ou l'autre des trois plans offerts. Prélèvements quotidiens de 2 à 5 roupies (0,02 à 0,05 dollars US) pour une couverture annuelle de 1.130 à 3.390 dollars
Philippines	Globe	Oriental Insurance		Hospital Benefit Plan	Assurance accident et hospitalisation pour les bénéficiaires de virements reçus via GCASH	Couverture basée sur le nombre de virements reçus via la plateforme d'argent mobile GCASH
Philippines	SMART	Philamlife		Aksitext	Produit d'assurance-vie offrant aux clients de SMART une couverture en cas de décès accidentel: le paiement d'une prime de 0,24 dollars permet de bénéficier d'une couverture accident/décès de 240 dollars	Souscription via SMS et paiement des primes par crédit téléphonique
Tanzanie	Airtel	Real Insurance			Assurance-vie commercialisée auprès des clients d'Airtel Money	Encaissement des primes de Real Insurance via la plateforme d'argent mobile d'Airtel Money
Tanzanie	Tigo	Golden Crescent	Bima, MicroEnsure	Tigo Bima	Produit d'assurance-vie offert aux clients utilisant les services prépayés de Tigo pour un certain montant, couvrant l'utilisateur ainsi qu'un membre enregistré de sa famille	Souscription via SMS et paiement des primes par crédit téléphonique
Tanzanie	Vodacom		Programme communautaire de réhabilitation complète en Tanzanie (CCBRT), UNFPA		Assurance non traditionnelle. Versements caritatifs en faveur des femmes souffrant de la fistule obstétricale afin de faciliter leur déplacement à l'hôpital	Versement des indemnisations via M-PESA
Thaïlande	DTAC	Muang Thai Life Insurance		DTAC Lifecare	Produit d'assurance-vie post payé	Souscription via SMS et paiement des primes par crédit téléphonique
Thaïlande	True			TrueMove	Produit d'assurance-vie en cas de décès accidentel et de frais médicaux. Couverture limitée à dix jours de voyage	Assurance offerte aux clients voyageant à l'étranger qui utilisent le post paiement et le service téléphonique itinérant (roaming). Souscription par appel au *9399 ext. 5 dans les 7 jours précédant la date de départ
Thaïlande	AIS	CIGNA Insurance			Couverture personnelle en cas d'accident pour une durée de 3 mois avec remboursement des frais médicaux à hauteur de 5.000 Bt (162 dollars US)	Assurance offerte aux clients de GSM Advance dans tout le pays. Souscription par téléphone mobile en appelant *101. Primes gratuites

The Economist

Microinsurance

Security for shillings

Insuring crops with a mobile phone

Mar 11th 2010 | from the print edition

ONE of the things holding back agriculture in developing countries is the unwillingness of farmers with small plots of land to invest in better seed and fertiliser. Only half of Kenyan farmers buy improved seed or spend money on other inputs. Many use poor-quality seed kept from previous harvests. That is understandable when drought or deluge can destroy their crop, but it has the effect of reducing yields. A new microinsurance scheme promises to help.

Kilimo Salama, which in Kiswahili means “safe farming”, uses a combination of mobile phones and 30 automated solar-powered weather stations to provide crop insurance. It has been set up by UAP Insurance of Kenya, Safaricom, Kenya's biggest mobile-network operator, and the Syngenta Foundation for Sustainable Agriculture, part of a big Swiss agribusiness group. After a successful trial with 200 farmers last year, Kilimo Salama has just been expanded in the hope of attracting 5,000 farmers in western and central Kenya this year.

Farmers pay an extra 5% to insure a bag of seed, fertiliser or other things like herbicide against crop failure. MEA Fertilisers and Syngenta East Africa, two agribusinesses hoping to benefit from higher sales of their products, match the farmers' investment to meet the full 10% cost of the insurance premium.

The clever bit, however, is the administration. Local agents register a policy with UAP by using a camera-phone to scan a bar code on each bag sold. A text message confirming the policy is then sent to the farmer's handset. Farmers are registered at their nearest weather station, which transmits data over the mobile network. If weather conditions deteriorate, a panel of experts uses an index system to determine if crops will no longer be viable. At that point payouts are made directly to the handsets of farmers in the affected areas using Safaricom's M-PESA mobile-money service.

With no field surveys, no paperwork and no middlemen, transaction costs are minimal. The scheme is designed to be self-financing. And clear terms should help Kilimo Salama overcome farmers' distrust of previous insurance schemes, says James Wambugu of UAP. So should word of mouth. The trial scheme was hit by one of the worst droughts in decades, triggering compensation payments of 80% of farmers' investments. The average amount of insured seed in the area has now risen from 2kg per farmer to 4kg.

from the print edition | Finance and economics

SUMMARY

Commercial insurance companies sell - either directly or indirectly - the majority of microinsurance products.[1] This study was carried out by the Microinsurance Network in 2010 to understand incentives and long-term perspectives for their involvement in the low-income market, as part of the Network's efforts to share lessons learnt and promote good practices.

The authors, Marie-Amandine Croydon and Véronique Molitor, asked the top 50 insurance companies from the Forbes "The Global 2000 Insurance"[2] list whether they are involved in microinsurance and if so, what those activities are as well as what their view on the perspectives for microinsurance is. In addition, five local insurance companies that are significant stakeholders in the microinsurance sector were added to the survey.

Twenty-four contacts have completed the survey and were generous with their time by being available for follow-up phone interviews. The study sample is composed of:

- 20 insurance companies;
- 2 insurance and reinsurance brokers;
- 2 reinsurance companies.

These companies are all involved in microinsurance by selling microinsurance products directly or indirectly in collaboration with public and private partners, for example, MFIs.

The ten key findings are:

1. Based on the initial desk study, it can be estimated that at least 33 of the 55 targeted companies are involved in microinsurance activities, of which 24 have participated in this study.

2. The survey respondents provided microinsurance cover for more than 27 million lives in 2010, which represents about 20% of the currently served low-income insurance market.[3]

3. The main reasons for the survey respondents to get involved in microinsurance are to access new markets, guided by financial profit expectations, and/or by corporate social responsibility and brand concerns. In some countries, the regulatory body or government encourages the insurance companies to serve the low-income market.

4. The majority of survey respondents are involved in microinsurance in Asia, and especially in India and China. In South America, Brazil and in Africa, South Africa are both also very active countries. Often, a local office or the headquarters is based in the targeted country.

5. Life, endowment products, accident and credit insurance are the most common products and represent in total 66% of all products reported by the survey respondents.

6. The survey respondents state that the main difference between microinsurance and their regular insurance products is the lower premium/ benefit ration and the trend towards implementing less exclusion.

7. The survey respondents in general collaborate with local partners with regard to development and distribution of microinsurance products. Some of these partners are obvious, such as microfinance institutions, some are less so, like utility providers, the key criteria being closeness to the target population.

8. The key challenges when entering this new market are listed as follows: High client acquisition costs, lack of insurance awareness and demand, inadequate distribution infrastructure and lack of data.

9. Nevertheless, the survey respondents can already note some benefits from their microinsurance activities. They are, or are expected to be, tangible, like profits, as well as intangible, like brand recognition.

10. The majority of the survey respondents consider that microinsurance business will grow by more than 100% within the next 3 years. This will be due to improved learning and prolonged experience, rise in insurance awareness and more and more governments recognising the important social role insurance plays. The vision is that costs will go down and product design will be improved. Therefore, survey participants tend to commit more resources to this new sector and very much perceive microinsurance as not only a social service but also a profitable business.

[1] Microinsurance Centre, 2007: "The Landscape of Microinsurance in the World's 100 Poorest Countries", download at www.microinsurancecentre.org/UI/..%5CUploadDocuments%5CLandscape%20study%20paper.pdf
[2] The Forbes list is compiled based on market value and by country, industry, sales, profit, and assets. The list used for this study was published on 21 April 2010; www.forbes.com/lists/2010/18/global-2000-10_The-Global-2000_IndName_12.html
[3] Lloyd's 360° Risk Insight – Insurance in developing countries: exploring opportunities in microinsurance

GEOGRAPHICAL DISTRIBUTION

The majority of the survey respondents target the microinsurance market in Asia, especially India, China and Indonesia. The main reason for this is the large numbers. For example, one third of the world's poorest population are estimated to live in India. The World Bank estimates that 28% of India's population are living below the poverty line[13], with more than 800 million people living in rural areas. In comparison with other countries, the microinsurance market and distribution network are relatively well developed. China also represents a large market, with more than 745 million people living in rural areas.

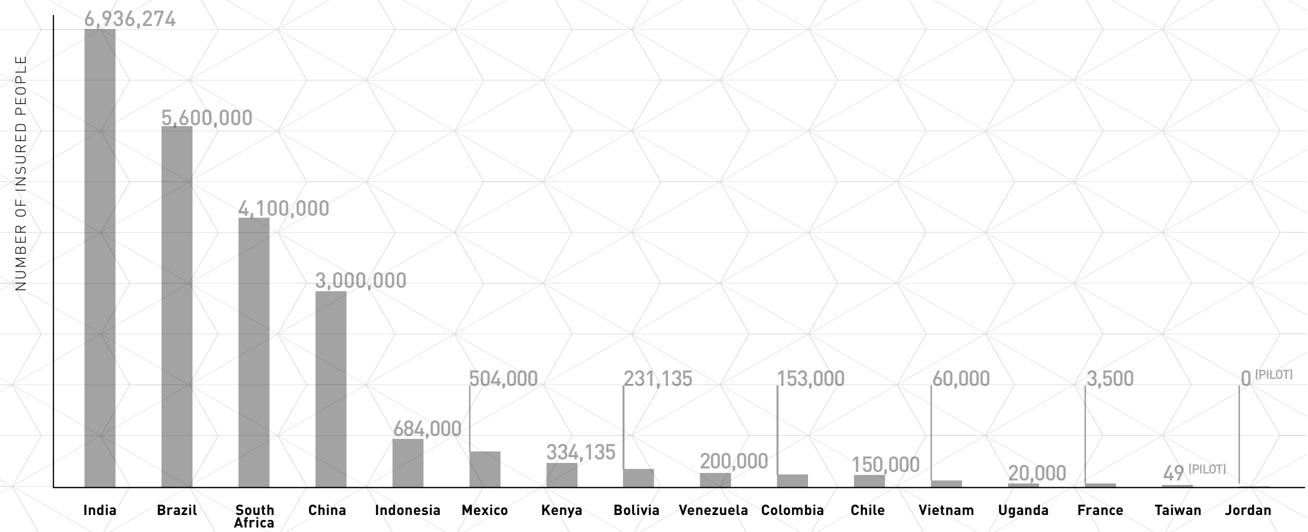
The number of insured persons corresponds to the number as indicated in the survey. However in some cases, the survey respondents stressed that they were only able to provide the number of policies as an indication of the volume of their business. In real terms, the coverage is probably larger than the one indicated in this graph, and one can assume that it would vary greatly if splitting up voluntary and compulsory schemes.

In South America, Brazil appears to be the leading country with 5,600,000 insured persons and South Africa leads the African countries with 4,100,000 insured persons. The respondents have indicated that the microinsurance market in South Africa has a high demand for microinsurance products, especially with regard to funeral and burial insurance, as well as legal expenses insurance. The latter product is unique in the world as it is based on the cultural and historical context of South Africa; the black population were formerly strongly discriminated against in the courts.

The survey respondents have highlighted the involvement of the government as an enabling factor, which encourages and facilitates their contributions. The respondents stressed the need for governments to be more involved, like for example, in Brazil, Vietnam and the Philippines.

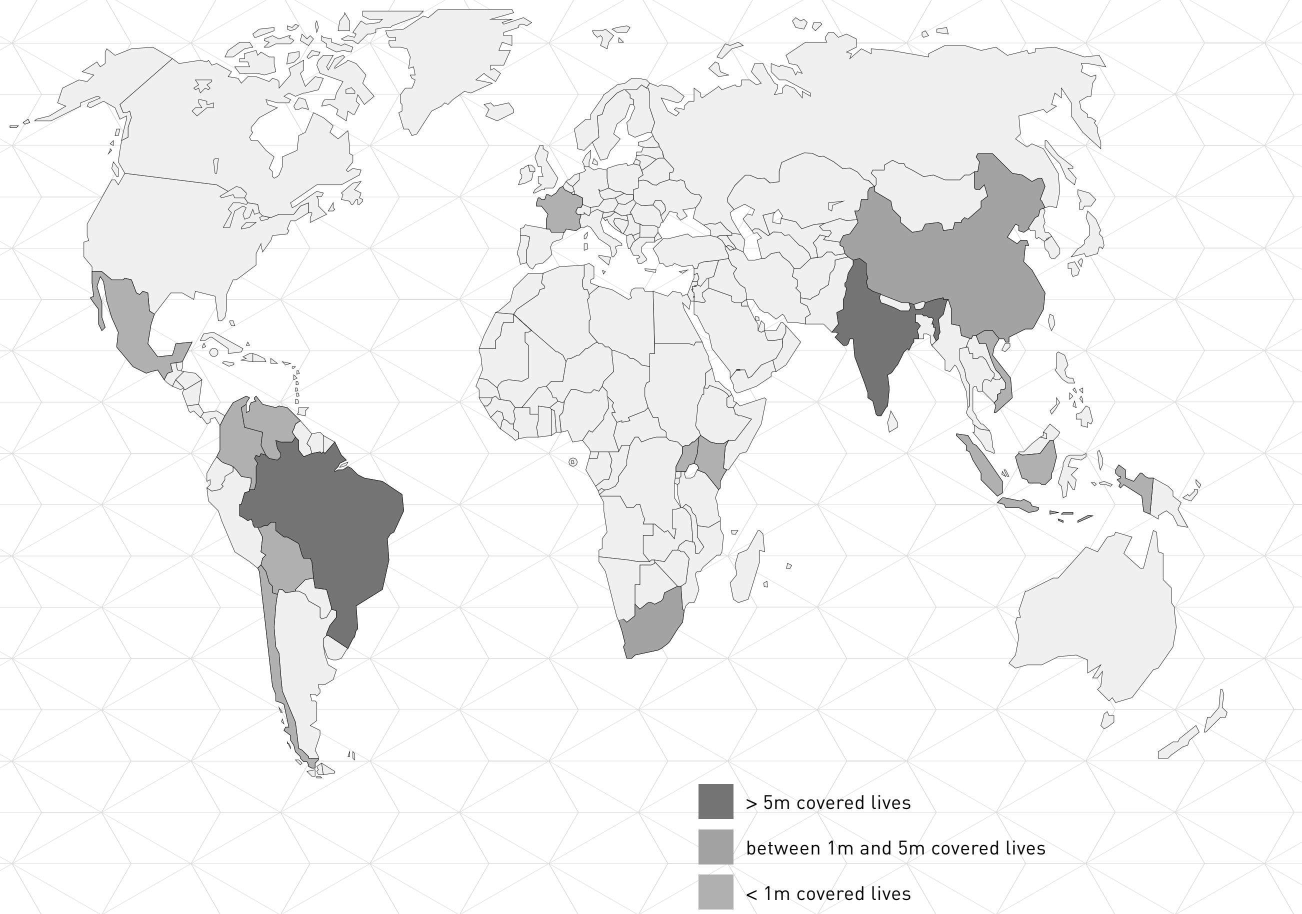
The survey participants tend to be involved in those countries where a local office is present. This **opportunistic approach** allows for a quick launch of new products and efficient use of local resources. Nevertheless, additional countries are also being targeted based on the objectives of their project partners or as a development strategy. For example, Zurich Financial Services supports Women's World Bank (WWB) with partners in Jordan, while Hollard, based in South Africa, is also active in neighbouring African countries.

INSURED PERSONS PER COUNTRY FOR RESPONDENTS



[13] The national poverty line as defined by the World Bank is the income level below which people are defined as poor. The definition is based on the income level people require to buy life's basic necessities—food, clothing, housing — and satisfy their most important socio-cultural needs. It is also called the subsistence minimum. The poverty line changes over time and varies by region. The official national poverty line is determined by a country's government.

MICROINSURANCE SUPPLY OF PARTICIPATING COMMERCIAL INSURERS



PRODUCT FEATURES

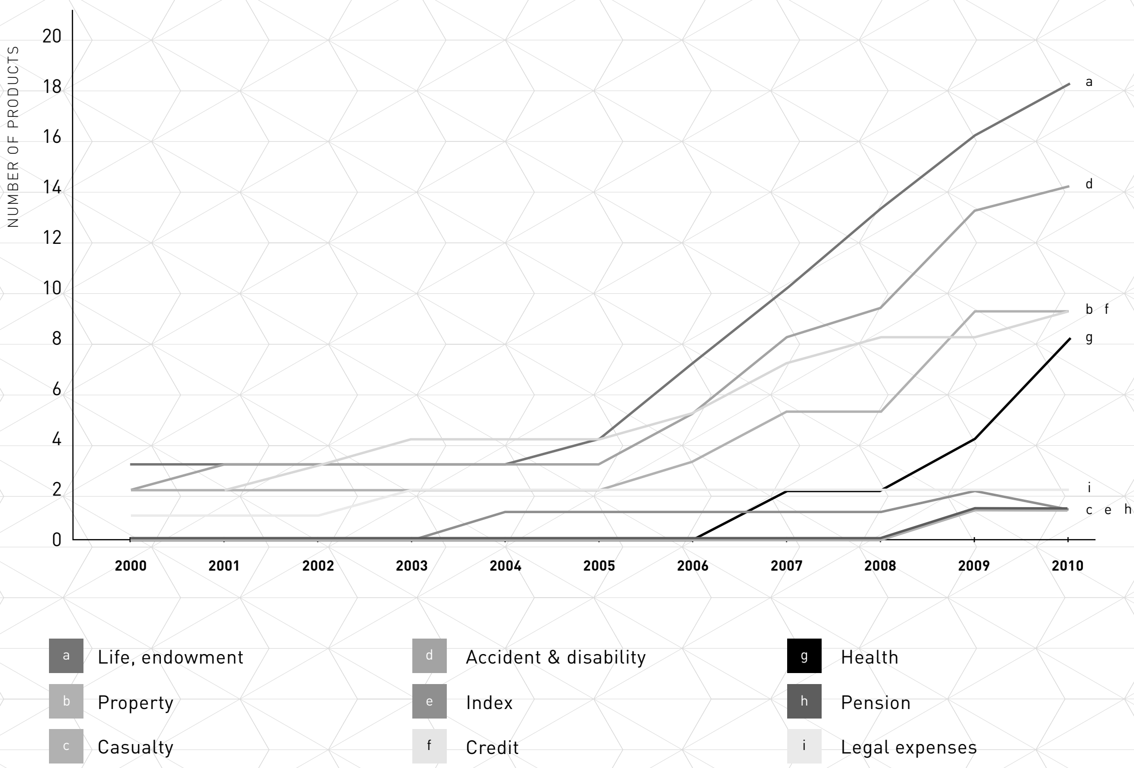
The commercial insurance companies were asked in this survey to list the factors that distinguish their microinsurance products from the regular business line: Level of premiums and benefits; exclusions; general costs and loss ratio.

Twenty six of 42 products taken into account in this study disburse lower benefits than regular insurance products, whereas 10 of them promise higher benefits. This is remarkable, considering the fact that all of these products encompass **lower premiums**. It can be assumed that the ratio between benefits and premiums in microinsurance is typically of less importance than that for regular insurance policies.

More than one third of these products have **less exclusion** than traditional insurance products. For example, Zurich Financial Services do not screen for pre-existing conditions in the hospital indemnity insurance product in Jordan. This helped to market the product and adapt it to the needs of the target population. Health certificates are often difficult to organise and the resources needed to manage this process are often disproportionately high with regard to the risk and benefit covered. Minimum and maximum age limits for policy holders are applicable for 74% of the reported products.

There was no apparent trend with regard to difference in product costs: About one third of the respondents estimate them to be higher for microinsurance than for standard insurance products, one third the same and the last third to be lower. The same is true with regard to the loss ratio. The survey respondents estimate that about half of the products have the same loss ratio as other insurance products.

TREND PER MICROINSURANCE PRODUCT



MARKET CHALLENGES

The survey respondents were asked to list the key challenges they faced when initiating microinsurance activities.

Although the initial financial investment was not perceived as an obstacle, the **ratio of high costs compared to the low return due to smaller premiums** is seen as a challenge. The high costs are in general made up of **high acquisition costs** as the policy holders are often living in remote areas and are not reachable by the usual distribution networks such as insurance brokers. Becoming **sustainable** and reaching a balance between premium income and expenses is a real challenge for any microinsurance provider.

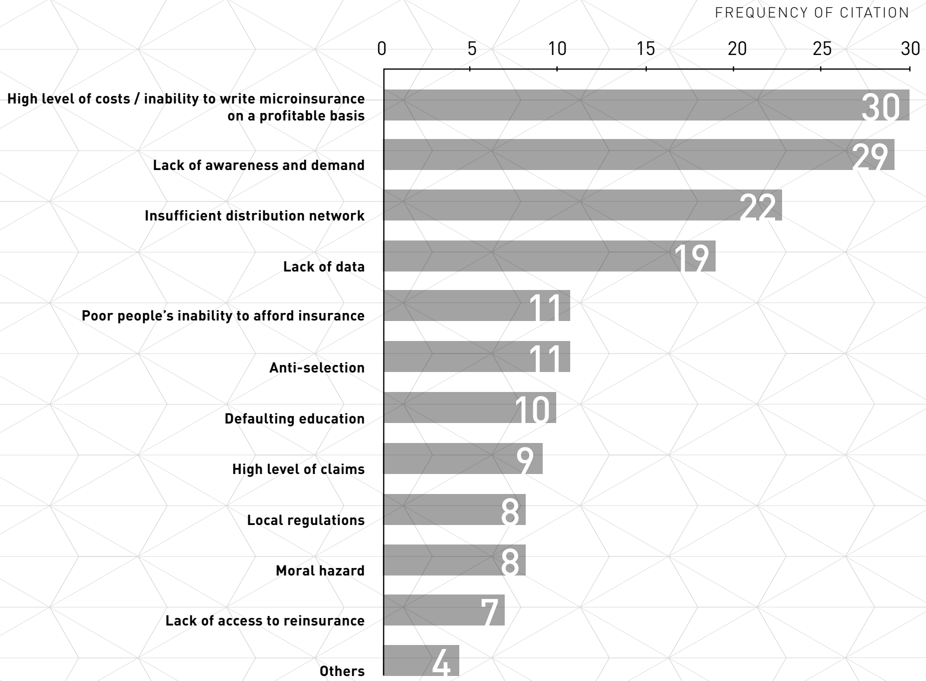
The **lack of insurance awareness** is also seen as a challenge and translates into a relatively low demand for microinsurance services. Commercial insurance companies, directly and through their partners, need to engage in the provision of insurance education, which represents an additional cost but if carefully linked to marketing efforts can be very powerful.

Insurance often has a **bad reputation**, as benefits are only available if something dramatic happens, and prejudices are usually reinforced by word of mouth. Stories about benefits not being paid out or being long-delayed are often heard. The insurance agents or company need to build up trust and make it easy to claim as well as deal with claims swiftly.

The **distribution of microinsurance products** is also as a major challenge as infrastructures are often not set up yet. Innovative partnerships with partners that are close to the target population, like retailers, churches, or community-based groups, are essential but also time-intensive, as partnerships need to be managed.

The survey respondents state that the **lack of available data**, which is needed for risk assessment and premium calculations, is another significant challenge when entering this market. Some participating companies mentioned that they had to make a choice between a conservative approach in the absence of valuable data and a more risky "trial and error" method.

MICROINSURANCE MARKET CHALLENGES [17]



[17] Several responses were possible. The numbers indicated correspond to the frequency of citation. Challenges included under the label "others" are: Cash collection, providing premium receipts in the field, timing of payment, getting regular premiums and finding new partners. "Lack of expertise in microinsurance" and "Language barrier" were both cited four times each as well.

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Microinsurance Network (2011): “Commercial Insurers in Microinsurance”

Biography

Brandon Mathews

Brandon Mathews is a Board Member of the Microinsurance Network and facilitates its Distribution Working Group. He is also on the board of the International Labour Organization's (ILO) Microinsurance Innovation Facility and is the former Head of Emerging Consumer / Microinsurance at Zurich Insurance Group.

Partners in Luxembourg

Établie en 1920, la Banque de Luxembourg offre aux investisseurs privés et institutionnels son expertise en gestion de patrimoine en Europe et au Luxembourg. Le conseil en philanthropie prolonge l'engagement de la banque aux côtés de ses clients pour mener à bien leurs projets à toutes les étapes de leur vie. Son savoir-faire et sa philosophie en gestion d'actifs sont particulièrement adaptés aux besoins des fondations qui recherchent une performance régulière sur le long terme, doublée d'une protection de leur capital et de leurs niveaux de dotation.

La banque offre également une gamme complète de véhicules d'investissement spécialisés en impact financing, qui reflètent la compétence de la Place financière luxembourgeoise en matière de fonds d'investissement. La Banque de Luxembourg s'est de tout temps comportée en acteur responsable et engagé au sein de la communauté luxembourgeoise. Elle a tout particulièrement souhaité contribuer au développement au Luxembourg de la philanthropie, de l'entrepreneuriat social et de l'impact financing. Le soutien qu'elle apporte à ADA dans le cadre des Midi de la Microfinance s'inscrit dans ce contexte.

Banque de Luxembourg

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GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Affaires étrangères

Direction de la Coopération
au développement

La Coopération luxembourgeoise au développement se place résolument au service de l'éradication de la pauvreté, notamment dans les pays les moins avancés. Ses actions s'inscrivent prioritairement dans la mise en oeuvre - d'ici 2015 - des objectifs du millénaire pour le développement. Ainsi les principaux secteurs d'intervention de la coopération relèvent du domaine social : la santé, l'éducation, y compris la formation et l'insertion professionnelle et le développement local intégré. Les initiatives pertinentes dans le domaine de la microfinance sont encouragées et appuyées, que ce soit au niveau conceptuel ou au niveau opérationnel. La Coopération luxembourgeoise offre notamment son appui financier pour l'organisation des Midis de la microfinance au Luxembourg.

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Direction de la Coopération

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Créée en 1956, l'ACA est une structure qui a pour mission la protection et le développement des intérêts professionnels, l'étude des problèmes intéressant ses membres ainsi que l'amélioration des services offerts au public.

L'ACA cherche à établir un contact permanent entre les Compagnies d'Assurances, de manière à faciliter l'examen de toutes les questions pouvant intéresser leurs activités. Elle vise aussi à étudier les questions législatives, contentieuses, administratives, techniques, commerciales, financières, sociales et fiscales présentant de l'intérêt pour la profession.

Association des Compagnies d'Assurances

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d'Assurance / nei erfannen

Le métier d'AXA consiste à protéger les personnes et les biens sur le long terme. L'engagement solidaire est le prolongement naturel de la mission d'AXA pour le développement économique et social. AXA s'engage de façon responsable vis-à-vis des 6 piliers suivants : les collaborateurs, les clients, les actionnaires, les fournisseurs, la société civile et l'environnement.

A travers son métier, AXA participe avec ses collaborateurs, ses réseaux et ses actionnaires au développement économique et social du pays. D'abord en aidant ses clients à se protéger face aux risques de la vie, en leur donnant les moyens de préparer l'avenir et de réagir, mais également en participant au développement des liens de solidarité au sein de la société grâce à l'engagement solidaire des collaborateurs AXA.

AXA Luxembourg œuvre à un engagement solidaire dans le domaine de l'exclusion, qu'elle soit liée au handicap ou à la santé ou qu'elle soit sociale. C'est dans ce cadre qu'AXA Luxembourg apporte son soutien aux Midis de la microfinance organisés par l'association ADA.

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micro
insurance
network

Le Microinsurance Network, basé au Luxembourg, est un réseau d'organismes donateurs, d'agences multilatérales, de fournisseurs d'assurances et de protection sociale, de décideurs et d'universitaires, tous impliqués dans la micro-assurance.

Le Microinsurance Network a pour mission de promouvoir le développement et la diffusion de services d'assurance adaptés aux personnes à faible revenu en encourageant le partage d'informations, en facilitant la génération et la diffusion du savoir et en fournissant une plateforme pour les diverses parties prenantes.

Afin d'accomplir sa mission, le Microinsurance Network :

- Intègre et dissémine les leçons apprises pour promouvoir une assurance de bon rapport qualité prix orientée vers le client ;
- Sensibilise les parties prenantes à l'importance de la demande et au potentiel que représente la micro-assurance ;
- Contribue au développement des bonnes pratiques dans le secteur.

Microinsurance Network

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www.microinsurancenetwork.org

Partners in Brussels

Febelfin, i.e. the Belgian Financial Sector Federation, wants to take up the challenge of playing an important role as a go-between for its members on the one hand and several parties at the national and European level on the other hand, such as policy-makers, supervisory authorities, trade associations and pressure groups.

Febelfin closely follows trends and developments and helps its members in taking up the right position. The Federation provides its members with information and guidance in fields such as product technology, law, taxation, prudential supervision and social law.

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KBC is an integrated bancassurance group, catering mainly for retail customers, small and medium-sized enterprises and private banking clientele. It occupies leading positions on its home markets of Belgium andCentral and Eastern Europe, where it specialises in retail bancassurance and asset management activities, as well as in the provision of services to businesses. The group is also active in a selection of other countries in Europe in private banking and services to businesses. Elsewhere around the globe, the group has established a presence in selected countries and regions.

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CSr Communications Officer

KBC

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Cera is not a bank anymore. Cera is a co-operative with around half a million members. We invest in community projects at regional, national and international level that reflect the values of our co-operative, viz. collaboration, solidarity and respect for the individual. The targeted areas of investment are: poverty and social exclusion, Cera Competence Centre for Businesses, Art and culture, Agriculture, Horticulture and the countryside, Medical and social, local Education initiatives and Solidarity-based banking and insurance in developing countries through BrS.

Cera has a shareholding of over 30% in KBC Group.

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Communication Co-ordinator

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Assuralia is the industry association of insurance and reinsurance companies operating on the Belgian market. it was established in 1920 and its membership represents nearly all direct business on the domestic market. it includes co-operative, mutual and joint-stock companies of both local and foreign origin. Some of its members focus on specific lines of business (like workmen's compensation insurance) while others offer a diversified range of general and life insurance (insurance companies are the most important providers of occupational retirement schemes in Belgium). its purpose is to represent the interests of its members at national and international level and to promote insurance as a solution for societal needs as well as for those of businesses and retail consumers. Along with vocational training, joint studies and lobbying, Assuralia is in charge of dialogue with all stakeholders, representatives of civil society and public authorities involved in insurance issues. it has no commercial activities, but has been instrumental in developing common service platforms meeting its members' needs.

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BRS. Solidarity-based banking and insurance in the Developing World

Give a poor man a fish and he will eat for a day.
Give him a fishing rod and teach him to fish and he will eat for the rest of his life.
But he will not achieve true independence until he manages to save up
and buy his own rod with a loan.

Last year, BRS supported 18 projects in 15 developing countries, with more than 600.000 euros worth of financial aid, 300 days of advice, training days and bank guarantees. and a hundred computers. And this was not a one-time success: for 18 years, BRS has been active in developing countries, supporting local initiatives for saving, credit and insurance based on cooperative principles. A conscious choice.

‘Micro’ what?

Three billion people on this planet still do not have access to financial services. Micro-finance and micro-insurance organisations in developing countries offer a solution, by developing services for ‘non-creditworthy’ and ‘uninsurable’ people. These are not miniature-sized financial institutions, but rather organisations with a specific business model. Credit activities are often preceded by training. After all, it’s impossible to imagine setting up a medical insurance business without investing in health prevention. Other organisations offer combined banking and insurance *avant la lettre (see insert).*

BRS: launched with 100 years of experience

The basic conditions in the developing countries in which these organisations are set up are, on the whole, similar to the situation during the early years of what used to be the cooperative CERA Bank, in the late 19th century. In 1992, on the occasion of the bank’s 100th anniversary, Belgische Raiffeisenstichting (or BRS) was formed. A hundred years of experience with cooperative banking and – later – insurance would be made available to micro-finance institutions (MFIs) and micro-insurance institutions working according to principles of solidarity.

Unique position: offering both finance and advice

BRS’s experience of organising savings and credit groups and setting up cooperative structures is a real help when supervising projects. Its close link with the KBC group allows BRS to tap into a valuable source of banking and insurance know-how. A group of KBC managers and executives volunteer their expertise and experience to BRS as consultants. They assist BRS in researching new projects and evaluating existing projects. They not only study the files, but also visit the actual projects. While the projects are under development, they assist and advise their fellow bankers in the southern hemisphere at strategic moments.

Training and awareness

With its up-to-date knowledge of banking and insurance combined with its years of experience of cooperative projects, BRS has the perfect know-how in-house to create specific training material and to offer courses on micro-financing, both in the southern and northern hemispheres.
The topics addressed include the cooperative concept, saving, credit, insurance and financial analysis. This makes BRS more than simply a financier of projects, but rather a true partner, that counsels and assists start-up organisations during the growing pains and other problems, with a group of interested and active supporters in Belgium.

Combined banking and insurance, the African way

Through Belgian non-governmental organisation (NGO) Louvain Développement, BRS is supporting the launch of a mutuality in the West-African country of Benin. Thanks to that mutuality, the members only pay a quarter of the price for visits to a doctor and prescription medicines! The medical insurance that covers all other expenses costs three euros per year. Since this financial threshold was lowered, the members of the mutual health insurance go more readily to the doctor when they are ill.

Local micro-finance institution CMEC (Caisse Mutuelle d’Epargne et de Crédit) concluded an agreement with the mutualities: clients are only eligible for a line of credit of 45 euros or more if they place one third of the sum in a savings account, and if they take out the medical insurance. In this way, CMEC encourages everyone to join the mutuality. Such agreements are also very interesting for savings and credit cooperatives. The medical insurance means that borrowers are less likely to encounter unforeseen payment difficulties, as their costs in the event of illness are limited. This results in a much greater likelihood that the credit will be repaid to CMEC.

(See DVD ‘A day in Honhoué (Benin)’)

Leverage

BRS also calls on the expertise of Belgian NGOs in the selection and monitoring of microfinance and micro-insurance projects. Organisations such as Trias, SOS Faim and Louvain Développement have their own staff on the field to take care of the daily supervision of the projects. Moreover, thanks to this cooperation, BRS can avail itself of a great deal of financial leverage. The Belgian and European authorities contribute several times the amounts contributed by BRS. Half a million euros of aid becomes over two million euros by the time it reaches the ultimate beneficiaries: a fantastic return!

Guarantee fund

BRS believes it important that microfinance institutions have connections with established local financial institutions, and vice versa. BRS's guarantee fund helps to realise this objective: it covers lines of credit extended to microfinance institutions by local banks or financial institutions. This cover is subject to the condition, however, that those local banks also bear part of the risk. Experience shows that this is not an easy condition, but that it is possible. In Ethiopia, after almost 18 months of negotiations, BRS succeeded in reaching an agreement with Awash Bank to bear 45% of the risk for a line of credit granted to the MFI Wasasa. Thanks to a 90 000 euro guarantee, Wasasa has a line of credit in the amount of 200 000 euros, which it uses to meet the credit demands of over 2 000 clients.

Prosperity and wellbeing

BRS is convinced that savings and credit facilities should not be goals in and of themselves, but instead should serve as a tool not only for increasing prosperity but also for focusing on people's wellbeing. That focus on development as human beings, which is now part of programmes such as Grameenbank, has always been an important factor for cooperatives. The savings and credit activities must, however, be founded in healthy business principles, and the sector must be aware that it cannot solve all forms of money shortages with credit. Credit approvals have to be based on prudent credit applications, not just on formal or informal guarantees.

Long-term commitment

Sadly, the financial resources that are set aside for microfinance by various development programmes and investors also mean that young, promising organisations are forced to grow too quickly. Structures such as cooperatives, which involve their members in their policy decisions, threaten to fall behind because of their decision-making and control processes.

In addition, the influence on the policies of external financiers is often greater than that of the organisation's own members. Under those conditions, such organisations are given little opportunity to develop their own dynamics. That is why BRS consciously opts for direct cooperation and a longer-term commitment.

History as a source of inspiration

A lot of water has passed under the bridge, but F.W. Raiffeisen's principles still apply to this day. BRS does not look back for the sake of nostalgia, but considers history to be a source of inspiration in the support it provides.

BRS still uses its knowledge and insight in offering the necessary support to start-up savings, credit and insurance institutions in the southern hemisphere. In this way, the past gives these organisations a future to believe in.

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ADA en bref

Inclusive Finance. Increasing Autonomy. Improving Lives.

L'approche ADA

Depuis plus de dix-huit ans, l'Organisation non gouvernementale (ONG) ADA joue un rôle de premier plan dans le secteur de la finance inclusive au Luxembourg et au-delà des frontières.

ADA est un partenaire de choix pour l'appui au développement autonome des populations exclues des services financiers traditionnels.

Les services d'ADA pour le renforcement des capacités des IMF profitent à près de 150 institutions de microfinance. Toutes ces actions visent un seul et même but : lutter contre la pauvreté.

Notre mandat avec la Coopération luxembourgeoise

Le renouvellement du mandat de la Coopération au développement du Luxembourg pour la période 2012-2016 constitue une étape importante ouvrant de nouvelles perspectives. Outre les trois thématiques historiques de l'association que sont l'innovation de services financiers inclusifs, le renforcement des capacités et l'investissement en finance inclusive, ADA entend renforcer son rôle en matière de recherche et développement d'une part ; et en matière de gestion des connaissances d'autre part.

Historique : une ong pionnière

Créée en 1994, ADA compte parmi les ONG pionnières de la microfinance au Luxembourg. Les fondateurs d'ADA étaient des particuliers qui souhaitaient mettre leur expertise financière au service de la lutte contre la pauvreté. Soucieux de respecter l'autonomie des populations, ils privilégièrent l'appui aux institutions de microfinance dans les pays en développement plutôt que l'assistance.

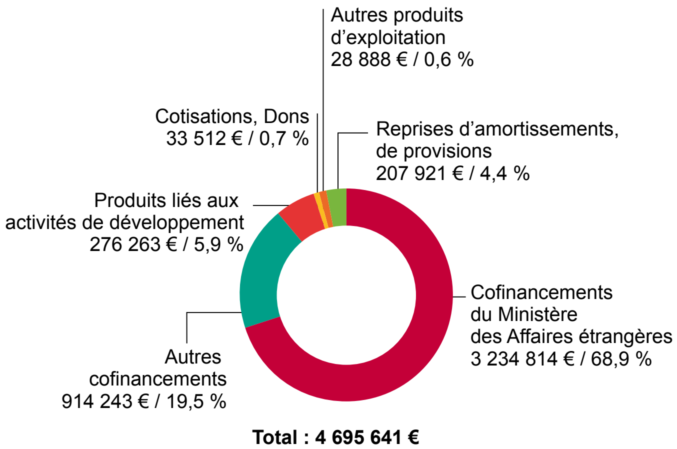
Sous le haut patronage de son Altesse Royale la Grande-Duchesse

ADA bénéficie depuis 2007 du Haut Patronage de S.A.R. la Grande-Duchesse Maria Teresa de Luxembourg. La Grande-Duchesse s'engage activement dans la lutte contre la pauvreté extrême, notamment par la promotion d'initiatives dans les domaines du social business et de la microfinance.

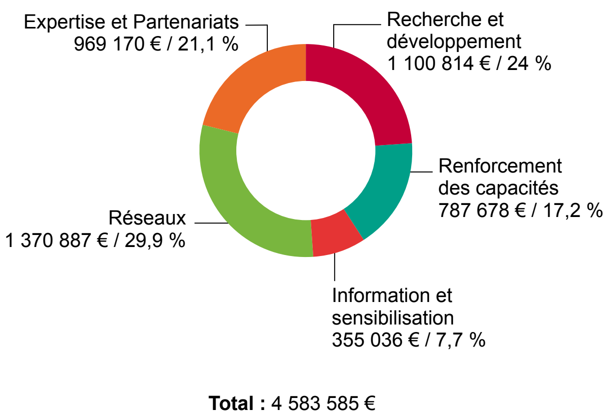
Comment soutenir ADA ?

Le rapport d'activités, les comptes annuels et la charte de gouvernance d'ADA sont disponibles sur notre site Internet : www.microfinance.lu

Pour toute information, envoyer un courriel à : adainfo@microfinance.lu



▲ **Produits d'exploitation 2011**



▲ **Affectation des ressources par programme en 2011**

Composition des organes institutionnels au 30 juin 2012

Conseil d'administration

Président : Robert Wagener ;

Vice-Présidents : Dieter Hartwich, Max Meyer, Philippe-Fitzpatrick Onimus ;

Secrétaire : Corinne Molitor ;

Administrateurs : Mark Cunningham, Karin Faber, Elmar Follmann, Rémy Jacob, Michel Maquil, Henri Marx, Jacques Prost et Bram Schim van der Loeff

Conseillers auprès du Conseil d'administration

Patrick Losch, Bruno Obegi

Comité exécutif

Directeur exécutif : Axel de Ville

Directeur Stratégique : Luc Vandeweerd

Background documentation

Microinsurance - Distribution approaches that reach the poor

An event organised by ADA and BRS on 18th October 2012 in Luxembourg and 19th October 2012 in Brussels

With Brandon Matthews, Board Member of the Microinsurance Network
and the International Labour Organization's (ILO) Microinsurance Innovation Facility

ada
brs
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In collaboration with

cera KBC Assuralia Febelfin