Strengthening vulnerable micro-enterprises through microinsurance:

The Adie experience

by Bruno Gautier



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The Microinsurance Network is kindly supported by the Luxembourgish Government.



THE GOVERNMENT OF THE GRAND DUCHY OF LUXEMBOURG

ISBN 978-99959-936-2-7

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Background

In many low-income countries, micro, small and medium enterprises (MSMEs) are collectively the largest sources of employment.¹ However, the IFC estimates that "more than 17 million formal SMEs in emerging markets have unmet finance needs...the formal SME finance gap is estimated to be between USD 900 billion and USD 1.1 trillion for SMEs in those markets." ² This lack of access to financial services means that growth is difficult and sustainability precarious; with limited access to capital, investing in one's business is challenging and many small businesses struggle to increase their productivity. In European countries as well, access to financial inclusion is a critical issue. According to Eurostat, the overwhelming majority of enterprises active within the EU-27's non-financial business economy (97%) were MSMEs, accounting for 90 million persons, among which 92% were micro-enterprises.³ Consequently, during the last decades, several microfinance institutions have been established to provide micro credit services. In 2013, more than 120,000 clients were served by the 24 MFIs operating in Europe.

Because of the major role played by MSMEs in the global economy, the microinsurance sector is gradually starting to recognise their importance and put them at the forefront of financial inclusion efforts. Microinsurance addresses the needs of MSMEs by transferring risk to a third party. Businesses can re-allocate the funds they would have needed to save for potential future shocks, towards investment in better technologies and product innovation. MSME finance is also a major priority for G20 leaders, and the World Bank Group has been supporting and implementing projects focusing on strengthening financial services for MSMEs for years to come.

In developed countries, microfinance institutions target unemployed people excluded from the traditional banking system who want to start their own venture. In so doing, microcredit is contributing to self-employment and the microfinance sector is playing an increasingly important role as a strategy in European labour market policies.

The Microinsurance Network recognises that there is a real need for the value of insurance to be better understood by small business owners through continuous advocacy and education efforts. It also believes that the value of insurance still is not widely acknowledged by practitioners working in financial inclusion, despite its important role in protecting vulnerable and low-income business owners from financial shock.

To understand the role microinsurance can play for MSMEs and MFIs alike, ADIE, a microfinance institution (MFI) operating nationwide in France with more than 42,500 clients, provides this case study of introducing insurance products into its financial services for MSMEs.

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explained/index.php/Business_economy_-_size_class_analysis
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¹ World Bank, 2013. Micro, Small and Medium Enterprise Finance.

http://www.worldbank.org/en/results/2013/04/05/msme-finance-expanding-opportunities-and-creating-jobs ² IFC, 2013. IFC Financing to Micro, Small, and Medium Enterprises Globally.

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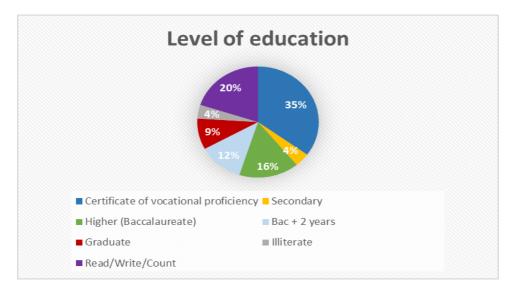
³ Eurostat, 2013. Business economy- size class analysis. http://ec.europa.eu/eurostat/statistics-

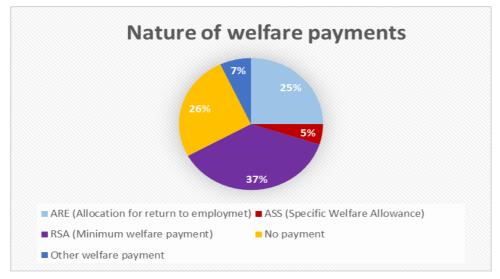
ADIE at a glance

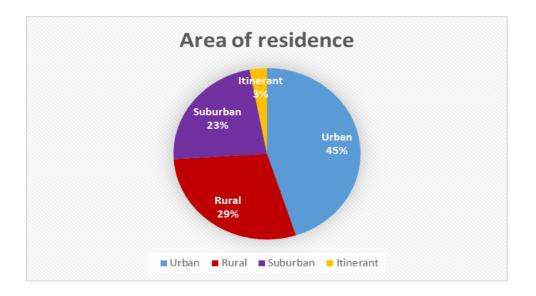
Created 25 years ago, ADIE offers financial services (business loans and professional insurance plans) to unemployed people who, despite their lack of access to traditional banks and other financial services providers, plan to start up a micro-business or develop an existing one in France. Through its 117 branches and 360 contact points, ADIE covers the whole French Territory (including overseas territories), with a focus on poor, urban neighbourhoods, excluded rural areas, youths and women.

ADIE has also recently started offering consumer loans to people who need small funding to facilitate the acquisition of job opportunities or continuation of work. Most of the clients use these loans to purchase a second-hand car, to pay for driving lessons or vocational training, which in turn facilitates their value in the labour market.

The majority of ADIE's clients are welfare recipients from urban or suburban areas with low levels of education, as shown below:







ADIE has over 450 employees and 1200 volunteers who deliver financial and non-financial services. As of the end of July 2015, ADIE had more than 42,500 active clients and an outstanding debt equivalent to EUR 98m. Since 1998, more than 159,000 loans have been disbursed to 125,000 clients and 115,000 micro-enterprises.

The last impact survey shows a survival rate of 81% after two years for the financed enterprises, 67% after three years and a final insertion rate⁴ of 80% for individual borrowers, which is equivalent to that of the national average SMEs' survival rates.

Offering microinsurance

As shown by the following figures, ADIE primarily focuses on the most vulnerable populations of those creating enterprises in France⁵:

- 39% of the clients are recipients of state-guaranteed social payments, compared to 6% of all new entrepreneurs.
- 43% are woman clients compared to against 29% of all new entrepreneurs.
- 25% are youth under 30 years of age, compared to 19% of all new entrepreneurs.
- 44% of clients live under the poverty line, compared to 14% in the whole French population.

Moreover, ADIE's clients are often characterised by their lower educational background, they have limited social and personal networks and frequently establish their enterprise without any prior business experience or training. Due to their circumstances and limited financial assets, ADIE's clients are particularly exposed to risks and creating businesses presents additional challenges, which in turn increases their vulnerability.

A client needs assessment was realised through surveying 600 clients on their risk perception, knowledge of insurance-related regulations, understanding of subscription rules and proposed guarantees, and relations with insurers for contract renewal and claim management.

⁴ Percentage of employed people at the time of the survey.

⁵ Data is from 2014

The assessment found that acquiring a suitable insurance for their professional activities was a challenge, owing to the following difficulties:

- A lack of awareness of professional risks, business regulations and related insurance obligations.
- Difficulties accessing an appropriate offer from insurance companies because their premises do not meet all the eligibility criteria in terms of security and protection.
- Pricing-out due to high cost of products designed for bigger enterprises. Minimum guaranteed amounts frequently exceed their needs.
- "Cultural" difficulties in managing the relationship with the insurer at all steps: subscription, renewal, cancellation, and claims.

Products

Even though demand for insurance products was not strongly expressed by clients, in early 2008 ADIE started to develop four insurance plans designed to address its clients' needs:

- Basic public and product liability
- Property with premises protection
- Property without premises protection
- Motor insurance

To make them user-friendly and easy to understand, these plans were developed with extreme simplicity at the forefront:

- Single fare
- Full packaged coverage irrespective of the business and the individual profile of the client
- Fixed guarantee amount
- Unique lump sum deductible amount

Main features of multi-risk plans:

- Professional liability coverage up to EUR
 7.5m for bodily injuries, material damages, consecutive losses and pure financial losses
- Property protection against fire, flood, etc., up to the level of potential damages
- Professional assets protection up to EUR 10,000 against theft, water damages, electrical hazard etc.
- Financial support in case of accident or hospitalisation for incapacity exceeding 15 days (EUR 30 per day, max 3 months and EUR 2,700/year)

The four products address most of the risks faced by

small entrepreneurs, namely conflicts with third parties, damages on professional goods and rented premises, professional use of vehicle, damages on transported goods and temporary cessation of activities due to sickness or injury.

Guarantee amounts are set high or without limitation for liability-related events due to the fact that micro-entrepreneurs face the same risks as any other entrepreneur. Hazards on professional goods are covered for lower amounts than most mainstream professional insurance, since ADIE's target clients usually launch their business with limited funds.

Underwriting policy

This innovative approach to insurance design is developed together with a dedicated risk selection policy that focuses both on enterprise size and business economic sector. In terms of size, to be eligible a company must have fewer than 5 employees and its turnover should be below the ceiling established by the law⁶.

⁶ Micro-enterprise fiscal status determines an annual turn-over cap of EUR 81,200 for trade & EUR 32,600 for services.

Insurers are used to adjusting product fare according to each enterprise based on its specific activity and sector. In the case of this micro-insurance plant, having a single product with a unique fare for

Examples of insured activities:

- Restaurant, catering service
- Open market vendors
- Services to people (housing cleaning, educational assistance, errands, gardening service, housing maintenance etc.)
- Interior painting work
- Hairdressing & beauty salon
- Retail stores (grocery, clothes, food & beverages etc.)
- Cleaning service for professionals

many different activities and several sectors is a real challenge since gathering homogeneous risks within the portfolio is much more difficult. Accordingly, ADIE and its partners have agreed upon a list of eligible activities, which is regularly updated.

Currently, nearly 60% of ADIE clients' activities are estimated to be eligible for the programme. Moreover, since risk appraisal is conducted for loan decision, entrepreneurs access the products without additional individual risk assessment on their activity. For subscription of temporarily working inability, no health questionnaire is required.

Activities for which a license is required and

businesses with high exposure to risk such as transportation of goods and persons, health practitioners, counselling on business development & assets management, construction sector, trading activities related to cars & spare parts, etc. are not eligible for the programme.

Car Insurance

Owing to their limited financial resources, ADIE's clients are likely to purchase second-hand vehicles of limited value. Thus, their needs are mainly centred on third party liability, driver assistance in case of accident, and protection of their transported professional assets. Accordingly, the car microinsurance product focuses only on these guarantees, which makes a single fare for all brands and types of cars possible.

As per French regulation, drivers' profiles are taken into account to set the insurance price for each client ("bonus - surcharge" system = drivers' accident records)⁷, however the final price is determined irrespective of client location, date and delivery place of its driving licence.

Distribution model

These very simple features are pivotal in facilitating the work of ADIE credit officers, who present insurance plans to clients and process their enrolment. Paradoxically, partner insurance companies face problems in managing these contracts because these simple plans were built irrespective of all usual rules applied by the industry. Their back office management system is not adapted and an increase of subscriptions will not be possible without further developments and investments from their side.

⁷ The "bonus-malus" is a multiplying coefficient set according to the frequency of at-fault accident of each insured driver. Young drivers start with a coefficient amounting 1. Each at-fault accident will increase the coefficient of 25%, up to a maximum of 2.5. Every year without accident will decrease the coefficient of 5%, till a minimum of 0.5. It takes 13 years without any at-fault accident to reach this level and benefit of more attractive fare.

Contract management rules

Specific rules have been established to facilitate client understanding and the relationship with partner insurance companies:

- The anniversary date of all contracts is fixed on the first day of the enrolment month so as to simplify contract renewal and payment procedures.
- French regulation for annual termination of professional insurance requires a 60-day period of prior notice. In order to match ADIE's client management constraints that are mostly short term driven, and reduce contract cancelation due to non-payment, this rule was not applied.
- In order to reduce management costs, payment is due on an annual basis. Given the low cost of the premium, some beneficiaries go for direct payment whilst others obtain an "insurance microloan"⁸ from ADIE, which they reimburse on a monthly basis.

Claim management process

Partners' insurance companies are informed of claims either by e-mail, letter or phone. Support documents are usually necessary. If needed, credit officers or volunteers can provide one-on-one support to clients in helping them fill out claim forms and collect all required documents.

In the event of a claim, ADIE is informed by its partners' insurers and knows step by step how each case is handled. Based on this information, a dedicated pool of ADIE volunteers conducts consistent follow-up of each client whose claim is being processed through regular phone calls, so as to detect any kind of misunderstanding and facilitate the interaction with the claim management department.

Payment is made by insurers directly to either the client or to third parties. Delays in payment, a very sensitive issue for client with limited equity, is closely monitored. Compensation in the case of working incapacity is very fast – always within the month of occurrence. Here, payment is made on a monthly basis.

In the case of material damages and liability-related events, claim management requires external expertise to assess the loss, which sometimes adversely impacts delays of payment. For simple claims such as "broken glass", simple management processes have been set up in order to rapidly settle the cases. For others, delay is always a key issue which requires close follow-up from ADIE staff and client support in the communication with the insurer.

Partnership framework

ADIE's microinsurance programme was developed in partnership with AXA and MACIF. Each partner has a specific operational role, as presented below:

	ADIE	АХА	MACIF
Information/advice to client on micro enterprise and insurance	Х		
Contract subscription and payment intermediary service	Х		
Contract (issuing, invoicing, termination) and		Х	

⁸ Microcredit of maximum amount of EUR 800, maximum duration of 10 months, without collateral , no interest rate, 11% of administration fee.

reporting on portfolio performance			
Claim management		X (auto insurance)	X (other plans)
Risk sharing		Х	x
Relationship facilitation after enrolment (renewal, payment, claim process, termination)	Х		
Information on professional risk alleviation policies	Х		

Both AXA and MACIF assigned a dedicated pool of their employees to handle the back office for all contracts signed under the agreement with ADIE, whilst the programme involves all ADIE's credit officers who are in charge of the front office, namely the distribution of microinsurance plans to their clients.

Programme partners have agreed on a three-year contractual agreement which lays down working principles, product description, stakeholders' responsibilities and communication rules. In addition, a contract of mandate has been framed out to fine-tune ADIE's distribution role. ADIE is registered as an insurance broker under the French regulatory body (ORIAS). Accordingly, it is responsible for all consequences as contract distribution and entitled to receive a financial contribution from the insurer to cover part of its distribution costs.

The business model of the programme is rooted in the assumption that direct operating costs could be partly covered by portfolio-generated incomes. In other words, the programme is implemented in a cost-covering prospect even though insurers are not expecting any profit from this activity. ADIE receives from the insurers a participation fee based on the annual portfolio income which covers part of the distribution costs.

Development costs (plan designs, staff training, and communication) and partnership management costs are considered as insurers' contribution in the framework of their corporate social responsibility. As part of its headquarters' "overall costs", ADIE is supporting its programme management costs.

Management and information system

For programme management purposes, updated data is communicated on a monthly basis on active contracts (new subscriptions, payment defaults, termination) and claims (date of occurrence, type of event, amount of loss). This information is then stored in ADIE's customer relations management information system. Other key indicators are subject to regular follow-up: proportion of insured clients versus new financed clients, refusal rate at subscription stage, delay of the decision once the subscription is transmitted to insurers, payment defaults at contract renewals, uncovered claims and reasons for no coverage.

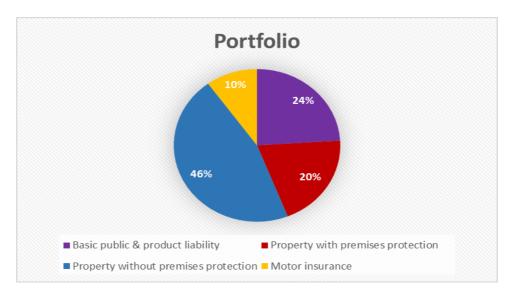
Below are some of the key performance indicators used in the last three years:

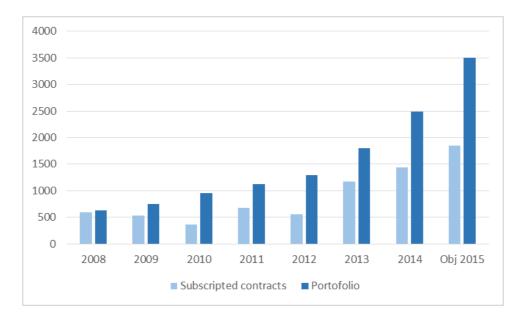
	2012	2013	2014
Portfolio	1,291	1,796	2,457
Insurer refusal rate	n/a	2%	3%
% insured clients/new financed clients	n/a	28%	34%
Renewal ratio (y-1)	78%	68%	68%
Renewal ratio (y-2)	33%	28%	28%
Non-guaranteed claims (%)	16%	17%	20%

Main results

After a four-year pilot period aiming to design product & process, develop training modules, and adjust information and management systems, the microinsurance offer was extended nation-wide in mid-2013. As a result, enrolments increased progressively. As of late July 2015, 6,400 contracts have been subscripted and the portfolio reaches 2,900 active contracts.

Subscription to the microinsurance programme is not obligatory, though credit officers provide detailed information to their clients on how useful insurance services are to start-up businesses. The proportion of insured clients is progressing steadily, reaching up to 50% of new eligible clients in some branches. On average, this proportion is 30% and can still progress according to the better capacity of credit officers in raising clients' understanding and interest.





The portfolio of active contracts is growing as well, even if the renewal rate is below the average usually observed in the professional insurance industry. This is mainly due to clients' limited cash flow at payment time.

Compared with the average profile of ADIE's clients, the insured clients are characterised by the following criteria:

- Higher proportion of women compared to the gender distribution among ADIE's clients (46% versus 37%)
- Higher financial vulnerability
- Lower educational background

In other words, microinsurance services are of great relevance to most vulnerable entrepreneurs: youth without prior insurance record, illiterate people, community members and above all Travelers.

As presented in upcoming sections, claim ratios are in line with industry standards for similar products targeting micro enterprises.

Claim ratio	2012	2013	2014 (*)
Property (with premises protection)	82%	62%	70%
Property (without premises protection)	57%	53%	47%
Basic public & product liability	11%	37%	27%
Motor insurance	49%	80%	33%
			(*) (* :

(*) as of April 2015

The microinsurance claim ratio benefits indirectly but significantly from the risk assessment process conducted for credit decisions. Moreover, since entrepreneurs mainly approach ADIE for access to credit, and since the subscription policy dictates that only ADIE's borrowers are eligible for microinsurance products, the portfolio avoids significant adverse selection.

The strong increase of the motor insurance claim ratio in 2013 is not significant owing to the limited numbers of active contracts.

Claims

Since the programme was first rolled out, more than 600 claims have been successfully assessed at a total amount of EUR 1,044,000, with the average amount of a claim being EUR 1,912). Claims related to professional liability, which imply damages to third party property, occur relatively seldom (3% of all claims in the portfolio in terms of occurrences) but can be very costly. Most of the claims are related to damages on professional assets, followed by robbery in premises (19%), water damages (14%), broken windows (10%) and fire (4%). Illustrating well ADIE's clients vulnerability, 40% of all losses are related to individual protection after accident or hospitalisation.

Client satisfaction and subscription motives

In 2014, programme partners conducted a detailed survey on subscription and satisfaction focusing on three groups: microinsurance clients, "classic" insurance clients and unprotected micro entrepreneurs.

Here are some general findings:

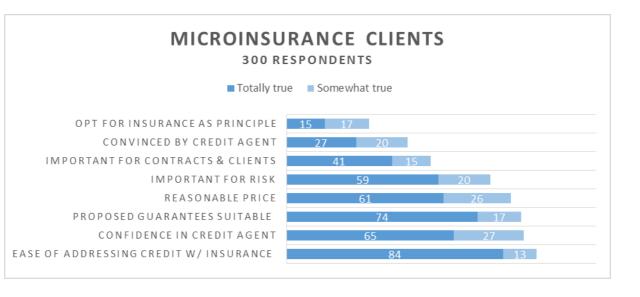
- Two-thirds of respondents declared they had a basic understanding of insurance requirements prior to their meeting with their credit officer. Nonetheless, 25% started their business without any professional insurance.
- Most of those in default were expecting to get protection from their personal insurance be it for damages against third party properties or on their own professional goods. The price of traditional professional insurance and the limited size of the venture are quoted as additional reasons for not purchasing insurance.
- 97% of respondents find ADIE's microinsurance programme relevant, due to its good understanding of micro entrepreneurs' needs and its capacity to negotiate good deals for them. Establishing a partnership with well-known insurance companies is clearly a factor prone to increase clients' confidence.

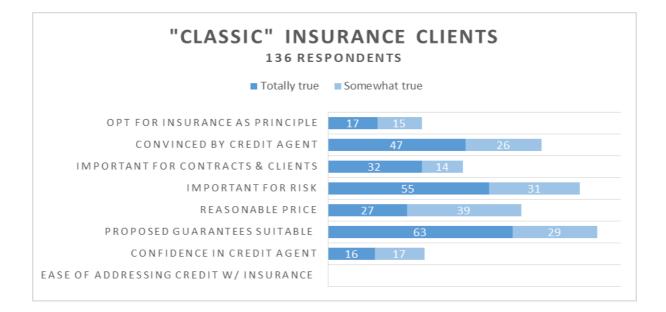
Motives for subscription

Confidence in the intermediary is almost three times higher in the case of ADIE's microinsurance scheme. Attractive costs of microinsurance products is also highly important in explaining client subscription.

Motives for microinsurance subscriptions vs. traditional insurance

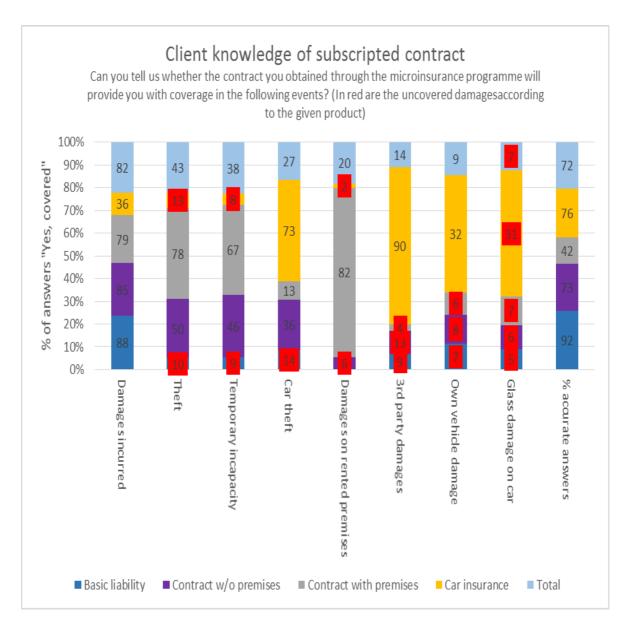
Clients of classic insurance schemes and of microinsurance schemes were asked which motives for selecting professional insurance were relevant to them:





Product understanding

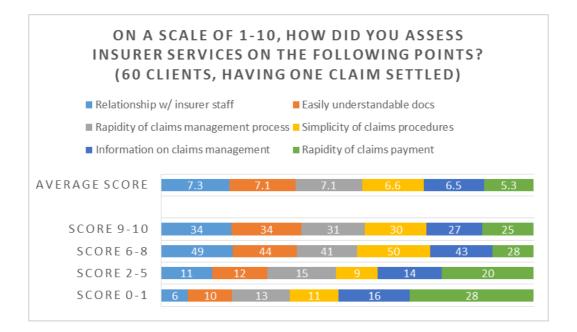
Microinsurance clients do have a good general understanding of the risks covered by their insurance plans. Nevertheless, better explanations are required to ensure the plans are used appropriately.



Client satisfaction

General satisfaction is high, with 91% of respondents reporting a good opinion of the programme. For clients who have settled one claim or more, feedback is still good, with 82% answering positively. Nevertheless, the detailed feedback on claim settlement presented below highlights areas of improvement to be addressed by programme partners (mostly with regard to amount of losses).

The "net promoter score"¹ of the microinsurance products is very satisfactory reaching 35, compared to only 8 for clients insured by "classic" insurers.



CLIENT TESTIMONIAL 1

Lyazid, 35, Hairdressing salon in Rouen

"Following the burglary of my hairdressing salon, I called my ADIE advisor, who gave me the number of the insurance to call in case of an accident.

During the call, the insurance asked me to send them the original version of the complaint registered at the police station, and the invoice for the replacement of the shop front window. I also sent them the quote for the front window fitting.

I sincerely thought that this process was going to take at least a month. But I received the total reimbursement (invoice plus quote) minus the deductible amount of 200 euros only ten days after having sent the papers.

I can only be satisfied with the way my enquiry has been handled from start to finish."

CLIENT TESTIMONIAL 2

Nora, 47, sale of clothing on the Montauban and Toulouse markets

"My venture was less than one year old when I had a serious fall down some stairs. The accident resulted in five stitches on my head and a trauma to my vertebrae, causing dizziness and pain in the arm.

Unable to return to work after the trauma, I alerted my credit agent who reminded me that I had taken out microinsurance at the same time as my microcredit. I was completely lost, it was him who dealt with the whole insurance matter.

Immobilised for several months, I was able to claim compensation for my loss of activity. I have already received EUR 1,800 and am now waiting for the results of an MRI to see if I can return to work.

I want to work again as soon as possible. Inaction is not for me. But luckily I had this insurance to deal with the consequences of the accident..."

Lessons learned

• Contract renewal is a challenge that requires specific focuses from credit officers and additional communication to clients.

Since the start of the programme, the renewal rate is lower than the usual performance for professional insurance portfolios.

This could be explained by many reasons. For some clients, cancelation is requested when they expand their business and require more comprehensive protections. Others may just cease or change their activity. But most of the time, cancellation is due to non-payment at renewal period either because of financial reasons, change of address or administrative mismanagement.

Facing this challenge, a package of actions were undertaken in the beginning of 2014:

- Adjustment of annual termination rules applied to the portfolio (termination is possible until the eve of the renewal date, irrespective of the French regulation that usually obliges the client to respect a 60 days period of prior notice)
- Emails sent by ADIE to clients 30 days before the renewal date in addition to insurer call for payment (received by mail)
- Regular check and update of clients' home addresses
- Monthly outgoing calls made by credit officers to evaluate clients' situations, assess payment capacity and prepare the coming renewal. In case of cash flow limitation, an insurance microloan can be proposed

From 2015 on, these actions are expected to increase renewal performance and guarantee better protection in the long-term.

• Providing additional support to clients is highly important if usual claim management processes are applied

Vulnerable persons are not prepared to navigate an elaborate claim submission process. Significant support is thus required to facilitate the communication between clients, insurance experts and insurance companies, which is why ADIE assigned a team of trained volunteers to follow up on every single claim being processed. Through regular calls to clients they can facilitate clients' understanding of claim process, insurer queries, relationship with experts and settlement decisions. In the event of any dysfunction, ADIE and insurers' representatives are warned immediately.

As subscription and pooling of risk policies was specifically set up for the project, it may become necessary to also design a dedicated policy claim settlement and management according to the modest level of guarantee and the limited capacity of some clients in administrative management. Being at the centre of the client relationship, ADIE's role in claim management may be strengthened in the future and evolve from a simple facilitator role to a more comprehensive management role.

Offering services against precariousness may be necessary in addition to liability and material damages coverage

Protecting micro entrepreneurs against temporary work incapacity is of utmost importance. Most of them work alone and have limited cash resources, making them particularly vulnerable to the impact of accidents or illnesses.

Accordingly, ADIE will further investigate other areas of protection related to risks faced by clients, such as health insurance (for complementary services), death insurance, and insurance in case of cessation of activities.

• Creating social value through mobilising insurer core business skills strengthens the partnership

In mature markets, insurers are not interested in investing in professional microinsurance schemes as a "BOP" market strategy. Rather, they generally expect returns in line with their corporate social responsibility policy. Nonetheless, they contribute directly to the partnership as professionals having their stake in the process of service provision and not as distant fund providers. It makes their commitments more significant and sustainable.

Philippe Da Costa, Director of Innovation and external relations of the Macif Group

"The Mutualist Group Macif aims to create social value as an integral part of its activity. We believe that social value and economic efficiency go hand in hand, which is why our Group strives to offer products and services that meet the economic expectations and conditions of our associates, particularly micro-entrepreneurs.

This partnership accords fully with the Macif Group's desire to promote job creation, a key issue for the French economy, at a time when the ability to start a business is in jeopardy. The partnership open new perspectives in the field of microinsurance."

Nicolas Moreau, President, Director General of AXA France

"As partner of Adie since 2007, AXA strengthened the partnership in 2013. We want to facilitate access pf micro-entrepreneurs to insurance coverage for their business. In launching their business, micro-entrepreneurs are often in a precarious situation, and access to insurance coverage is an additional challenge.

In response, we have developed a comprehensive insurance policy with a guarantee appropriate to their needs (simple civil liability, professional casualty with or without local coverage, automobile). We also help train teams of Adie staff and volunteers to sensitise micro-entrepreneurs to risk prevention and accompany them in signing microinsurance contracts. We are proud of this partnership with Adie in support of micro-entrepreneurs in their endeavours."

• It's easier to convince insurance companies to assign dedicated staff and to allocate resources if the portfolio generates income to cover part of the operating costs

Designing dedicated products and related management processes is easily accepted by insurers as an investment that may not be returned even in the long run. Nonetheless, as with any sustainable insurance scheme, the cost of losses should be fully covered by the premium.

However, attending regular steering committee meetings, participating in MFI staff training sessions, managing production and daily related activities (enrolment, portfolio and loss management) generates overhead costs. Due to the unusual product features, training and assigning dedicated staff at insurer level is often necessary. In that regard, having realistic expectations in covering part

of these costs through portfolio incomes may facilitate the process and smooth the decision of the manager that will practically support these charges.

Moreover, owing to the lower financial return of the microinsurance-related tasks, it seems necessary to design specific "reward" mechanisms for the assigned staff, since usual frameworks for performance appraisal may no longer be relevant. In that line, microfinance institutions should devise benefits which could contribute to valorising its counterparts (meetings with beneficiaries, inhouse communication, media events...).

• Ensuring a good balance between stakeholders in deciding eligibility rules is a long-term condition for success

Partnerships between MFIs and insurers may be challenged by what could be seen as a fundamental contradiction⁹. On one hand, as an organisation looking to "protect the poor" and secure indirectly its outstanding loan portfolio, the MFI will try to facilitate as many contracts as possible. For a given package of guarantees (and related fare), it will call for the broadest risk-sharing policy in order to include as many beneficiaries as possible. The insurer, on the other hand, may continue applying its usual risk selection process that may not be appropriate for the micro activities set up by the MFI's clients.

In order to avoid any conflict on this sensitive issue, transparency and dialogue amongst stakeholders is necessary through regular exchange on the adequacy of the subscription policy.

• Training and learning of MFI staff is a necessary investment

Preliminary training is compulsory for MFI staff before starting insurance service distribution, in order to comply with regulatory provisions and acquire basic skills on product knowledge and client counselling. In the case of ADIE, in 2013 and 2014, more than 77 internal training days were delivered on the subject with direct input of insurer partners. Through this, more than 400 people were trained on insurance technical basis, liabilities, insurance regulation, risks and insurance needs for micro enterprises.

Demand for microinsurance products is usually much lower than demand for credit services. Even if insurance is sometime compulsory for operating in a business sector, ADIE's clients predominantly seek finance to establish their enterprise. This means that credit agents are no longer simply responding to a strong and existing demand; they have to raise awareness and convince clients to "buy" an additional service. Even if the proposed products are properly designed and very cost-effective, this marks a big change in the way agents interact with clients and needs to be taken into consideration in terms of training.

Working directly with insurance professionals on a daily basis is valuable for MFI staff and can help the MFI operational team acquiring these new skills, through regular interpersonal interactions and direct contributions of insurance staff in training development and provision.

⁹ This contradiction is most likely in ADIE's case because of the covered risks (professional and premise related liabilities, material damages) that are more difficult to appraise than "basic" products like life and loan insurance that are usually proposed by MFIs.

Regular feedback on histories of losses raises awareness of insurance value and product attractiveness within the organisation. Indeed, for some staff, it will be necessary to "prove" that embedded insurance services effectively reinforce the client relationship and not challenge it.

Ultimately, launching microinsurance services helps the institution to learn and develop new skills for both credit officers and managers and provides new opportunities for the institution to extend its offer and strengthen its business model.

• Ensuring microinsurance scheme up-scaling and preserving its simplicity

When establishing their partnership, which is usually decided on by their respective topmanagement bodies, actors may design simple services that will be well-adapted to the demographic needs and provided through experimental processes. During the necessary pilot phase aiming at testing the products and the commitment of the actors, manual management is sometimes possible. Still, in the long run it is pivotal to check the suitability of the microinsurance solutions with the "industrial" processes and systems of the insurer¹⁰. If not, the necessary up-scaling may not be implemented and the designed innovation may not be deployed.

Moreover, in the prospect of future development and in order to guarantee service quality to clients, provision of microinsurance services should be as much as possible integrated in the usual operational organisation. Thus, they will be part of the insurer quality management process as any other services.

¹⁰ In that regard, the necessary simplicity of the microinsurance scheme might emerge as a problem since insurer management systems are designed to handle a high level of complexity.

For more information

Microinsurance Network: http://www.microinsurancenetwork.org/

Axa: http://www.axa.com/fr/responsable/

Macif :

https://www.macif.fr/web/site/groupe/accueil/groupe/responsabilite_sociale_environnementale

Adie : http://www.adie.org/

Contact : Bruno Gautier, Microinsurance Director (Adie) bgautier@adie.org Tel : 0033 631 829 568