PROTECTING THE WORKING POOR

International Labour Office

ANNUAL REPORT 2011

MICROINSURANCE INNOVATION FACILITY

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ISBN 978-92-2-125898-8

Publisher: International Labour Office (ILO)
Text compilation: Kay Sayce, Words at Work, Holdenby, UK
Production: Paprika, Annecy, France

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G20 COMMITMENT TO MICROINSURANCE

"The G20 commitment recognises the over two billion adults around the world who do not have access to formal or semi-formal financial services – nearly 90 per cent of whom live in Africa, Latin America, Asia and the Middle East. Most people are already aware of how greater access to basic financial services through microfinance can transform lives and improve welfare. Awareness is growing that access to a wider set of financial tools, such as savings products, payment services (both domestic and through international remittances) and insurance (including micro-insurance directed at the needs of the poor), provides poor people with much greater capacity to increase or stabilize their income, build assets, and become more resilient to economic shocks… Bringing insurance to the poor can help reduce poverty by allowing individuals greater scope to invest without the fear of loss from national catastrophes and other destructive forces."

Principles and Report on Innovative Financial Inclusion from the Access through Innovation Sub-Group of the G20 Financial Inclusion Experts Group, 5 May 2010

FACILITY MILESTONES AND EVENTS, 2011

January	Round 5 call for application in the Innovation Grants programme, closed on 25 January Aparna Dalal joined the Facility team
March	Announced the first batch of Fellowship opportunities (10, worldwide) Organized Latin American forum with FASECOLDA and the IADB
April	Steering Committee shortlisted 14 Round 5 projects
May	Delivered major address at the AIO annual conference (where microinsurance was the theme) Co-organized microinsurance training for risk carriers and delivery channels in Zambia Launched the Facility webinar series, starting with the topic of client value Participated in the WSIS Interactive Panel Dialogue on mobile technology
June	Received AusAID funding to support the development of a microinsurance curriculum Participated in the Microinsurance Network meeting in Germany Co-organized a 'Microinsurance Business Plan' training course Participated in the Joint Learning Network on expanding universal health coverage Published a paper on the business case for microinsurance Participated in the 2nd 'Conference on microfinance in Europe'
July	Organized a webinar on new frontiers in microinsurance distribution Contributed to training organized by Cenfri in South Africa on microinsurance strategies for African markets Participated in the Health Microinsurance Forum organized by the CIRM in India
August	Peter Wrede joined the Facility team
September	Published a paper on client value, highlighting PACE (the Facility's client value assessment tool)
October	Organized training with GIBS in South Africa on building microinsurance models Participated in the First Microinsurance Marketplace organized by the World Bank in Indonesia Established a partnership with the MicroInsurance Centre's MILK project
November	Participated in the European Microfinance Week Organized training on client value assesment in Brazil Organized the 4th Microinsurance Innovation Forum in Brazil Participated in the 7th Microinsurance International Conference in Brazil Organized a webinar on the profitability of microinsurance Participated in the IAIS's Joint Working group in Brazil
December	Established a partnership with Cenfri to expand microinsurance in Africa Announced the second batch of Fellowship opportunities (four, in Africa) Participated in the 'Clients at the Center' meeting organized by CGAP

INTRODUCTION

The poor are more vulnerable to risks and economic shocks than the rest of the population. They are also the least able to cope when a crisis does occur. Poverty and vulnerability reinforce each other in an escalating downward spiral. Not only does exposure to these risks result in substantial financial losses, but vulnerable households also suffer from the ongoing uncertainty about if and when a loss might occur. Because of this perpetual apprehension, the poor are less likely to take advantage of income-generating opportunities that might reduce poverty.

From a development perspective, access to insurance – alongside other risk-managing financial services such as savings and emergency loans – makes sense for the poor to protect themselves. On its own, insurance cannot eliminate poverty, but it can contribute to achieving the Millennium Development Goals (MDGs). Although development efforts tend to focus on strategies to boost incomes and create jobs, it is important to recognize that gains can quickly be lost when vulnerable households experience a loss or crisis as recognized by the G-20. It is necessary to complement efforts to boost productivity with corresponding efforts to provide protection. If insurance can help protect vulnerable households from falling back or further into poverty, they will be less likely, for example, to have to choose which child to send to school and more likely to seek preventive medical care and accumulate assets to pay for education, for daughters as well as for sons.

Within this context and taking into account the potential of insurance to extend social protection and reduce poverty, the ILO's Microinsurance Innovation Facility was launched in 2008 with funding from the Bill & Melinda Gates Foundation. To maximize the developmental effect of insurance on low-income livelihoods, the Facility aims to answer three core questions:

- To what extent can insurance help low-income families to manage risks?
- What insurance products are appropriate for the poor and how can the industry provide them?
- How to develop an insurance culture among the poor and support well-informed risk-management decisions?

The Facility developed four sets of activities to learn how to extend better microinsurance coverage to the working poor, with the overall aim of developing and sharing good practices. To implement these activities, it works with a wide range of stakeholders, including risk carriers, delivery channels, insurance industry enablers and researchers. The activities focus on:

- providing **innovation grants** to test new models and provide quality insurance products to a greater number of low-income people

- **building capacity** to increase the availability of microinsurance expertise amongst consultants and other professionnals
- **supporting research** to identify successful approaches and assess the impact of insurance on low-income policyholders
- **disseminating lessons** learned to key stakeholders

In 2011, the Facility completed its fifth round of innovation grants. After 4 years of operation, it has provided innovation grants to 53 organizations in support of their efforts to develop and test new products, models and strategies. It has also provided 52 individuals and organizations with capacity-building support through Fellowships, mentoring, technical advisory and consultancy services, and information-sharing events such as workshops. A total of 27 research grants were provided and nine studies were published. In terms of geographical coverage, by the end of 2011 the Facility was supporting the development of microinsurance in 14 countries in Africa and the Middle East, 15 in Asia and the Pacific, and nine in Latin America.

The focus of the Facility's work in 2011 moved from knowledge capture to knowledge analysis and dissemination. A central mechanism in these efforts was the Knowledge Centre on the Facility's website, launched in late 2010 to share lessons emerging from all the Facility's activities. Greater emphasis was placed on expanding the outreach of the knowledge products and evaluating audience use and satisfaction (see page 44). Papers on client value and business case were among the major knowledge products developed in 2011. The client value paper suggests ways of improving value based on a review of microinsurance schemes in India, Kenya and the Philippines using PACE, the Facility's client value assessment tool (see Box 11). The business case paper is based on an in-depth analysis of the profitability of microinsurance provided by five insurance companies operating in different regions of the world.

In its structure and content, this *Annual Report* responds to the feedback the Facility received through a 'satisfaction survey' conducted in August 2011 on its previous annual reports. The first part outlines the emerging and encouraging trends in microinsurance, and the second part looks at the insights that the Facility has gained about microinsurance over the past 4 years. The Annexes provide details on the Facility's partners, including grantees, and on the knowledge dissemination and professional development activities implemented during the year. In line with the Facility's constant search for new and effective ways of disseminating its learnings, this *Annual Report* is also being produced in e-book format.

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EMERGING TRENDS IN MICROINSURANCE

CRAIG CHURCHILL

During 2011, I worked with Michael McCord, head of the MicroInsurance Centre, on an analysis of major trends in microinsurance that will serve as an introductory chapter to the second volume of *Protecting the Poor: A Microinsurance Compendium.*[1] Working on microinsurance issues every day, you get a sense that things are rapidly evolving, but it is only when you take a step back and consider the trends over a longer period that it becomes clear how drastically things have changed.

Microinsurance is developing at a breathtaking pace. Since the ILO's Microinsurance Innovation Facility was launched in 2008, we have seen numerous innovations emerging to overcome the challenges of providing better insurance services to more low-income people. I want to highlight three main trends that we have seen in recent years:

- *Massive growth:* Millions more low-income households are now accessing insurance coverage. It is interesting to explore the drivers of growth to understand how success might be replicated
- *Diverse stakeholders:* Microinsurance requires the involvement of various organizations to succeed, and through their partnerships and alliances they can build upon one another's strengths to accomplish more than they could do on their own. A flurry of new players is now entering the microinsurance sector, bringing new ideas and expertise
- *More valuable products:* Insurers are offering a broader range of more valuable microinsurance products, providing better protection to the working poor

DRAMATIC INCREASE IN THE NUMBER OF INSURED CLIENTS

Microinsurance has expanded dramatically, from 78 million low-income people identified as covered in the 100 poorest countries in 2007 (Roth *et al.*, 2007) to 135 million insured in 2009 (Lloyd's *Annual Report, 2009*). Current estimates suggest that the sector is approaching 500 million lives covered. This spectacular increase is due partly to the growth of existing schemes and the emergence of new schemes, and partly because the original study did not include a few large microinsurance markets.

[1] Edited by C. Churchill and M. Matul, this book is scheduled to be published in 2012 by the ILO and Munich Re Foundation. Our thanks to Michael McCord for his contribution to this essay for inclusion in the Facility's *Annual Report 2011*.

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When digging into growth patterns, regional differences become quite apparent. While the distribution of low-income people who benefit from insurance has not changed dramatically – with roughly 80% in Asia, 15% in Latin America and 5% in Africa in 2006 – interesting developments in each region are contributing to significant expansion.

REGIONAL DIFFERENCES

© GRET

Enrolling garment workers in the Health Insurance Project, Cambodia

India and China, both microinsurance powerhouses, have seen dramatic growth. It is reasonable to estimate that 60% of people around the world who are covered by microinsurance live in India. They are covered through mass health schemes that provide social protection to more than 50 million families, and there are more than 160 million low-income people with life, agriculture or livestock insurance, often partly subsidized by the government. Data from China are harder to come by, but conservatively another 40 million low-income people there might have access to cover.

Growth and scale are not limited to the world's two largest countries. Although national data are generally unavailable, there seems to be significant growth in Bangladesh, Pakistan and the Philippines, and countries such as Cambodia (see Box 1), Indonesia and Sri Lanka that are beginning their journey already have significant outreach. Overall, with about 400 million risks insured, Asia is spearheading microinsurance development, partly because of large and dense populations, interest from public and private insurers, willing aggregators or distribution channels and – perhaps most importantly – active government support.

Box 1 PROVIDING HEALTH INSURANCE FOR CAMBODIAN GARMENT WORKERS

Based in France, GRET is an association of professionals for fair development that has been active in health microinsurance in Cambodia and Lao PDR since 1997. Its Health Insurance Project (HIP) aims to cover up to 20,000 garment sector workers. Since 2009, in partnership with the Garment Manufacturers' Association of Cambodia (GMAC), a trade association, HIP has created a voluntary health insurance programme, strengthened the capacity of its management team, developed a customized information system and contracted seven healthcare facilities. With a premium of US$ 1.6 per worker per month that is 50% co-funded by employers who are part of GMAC, HIP provides comprehensive coverage of medical services, from basic healthcare to complicated surgery, in contracted public health facilities in and around Phnom Penh.

The project is undergoing process refinements so that it can be transferred to the National Social Security Fund (NSSF) for inclusion as part of the government's social security provision for the formal sector. The transfer is being supported by staff training, adaptation of procedures backed by a robust information system, and the sharing of lessons learned on technical issues such as programme monitoring, premium setting, enrolment and payment mechanisms and authentication procedures.

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In Latin America, the location for the 7th International Microinsurance Conference 2011, microinsurance has a very different character. In this region it is mainly a commercial endeavour, with growth stemming from insurers moving down market where there is less competition and more space for innovation. For example, according to Colombia's insurance association, Federación de Aseguradores Colombianos (FASECOLDA), microinsurance grew from less than 1.5 million risks covered in 2008 to nearly 8 million in July 2011.

Several Latin American governments are promoting an enabling environment for microinsurance in order to facilitate the engagement of the private sector at the base of the pyramid. Volumes in Latin America, which are probably in the 45-50 million range, also come from a broader definition of microinsurance than that found in Asia, including coverage for the upper poor and lower middle class. Brazil and Mexico represent huge markets, the former growing quickly partly because of a collaborative approach by policymakers and the insurance industry (see Box 2).

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View of the Santa Marta slum area in Rio de Janeiro, Brazil, the location of the CNseg's project Estou Seguro

Box 2 TESTING TECHNOLOGY SOLUTIONS IN BRAZIL

Grupo Bradesco Seguros e Previdência, a leading financial services conglomerate in Latin America, has reached more than 37 million Brazilians across the socio-economic spectrum, providing general, life and pension products. With a comprehensive infrastructure across the country, it offers its clients a modern service through call centres, more than 34,000 agents and brokers, and a network of more than 3,600 Banco Bradesco branches.

Through its Easy Access Protection project, Bradesco is expanding its focus to target low-income residents in some of the country's poorest communities. The project is using technology to make low-income people aware of the importance of risk protection and to increase their access to insurance products.

The first product offered is a personal accident policy combined with funeral assistance. Because of the small premiums, viability depends on attaining high levels of administrative efficiency. The project aims to show that the difficulties in providing viable and valuable cover to workers in the informal economy can be overcome through process innovation and the use of technology, including smart cards, point-of-sale devices, cell phones and the Internet.

In Africa, the Facility's 2009 landscape study identified 14.7 million people covered by microinsurance, of which 8.2 million were in South Africa. The growth outside South Africa during this period was nearly 13% per annum, due mainly to the expansion of life cover in East Africa. Perhaps the biggest outreach by an African insurer has been achieved by Hollard, which currently insures 4 million low-income lives, mostly through funeral cover and mostly in South Africa. Although the total figure for the continent might not exceed 25 million people, microinsurance is definitely picking up

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Microinsurance is in line with the government's goal to reduce poverty levels in the country. It is important to create innovative sustainable products that will focus on the needs of the poor.

Chileshe Kapwepwe, Ministry of Finance and National Planning, Zambia

steam in several countries, including Ethiopia, Ghana, Kenya and Zimbabwe, due to a combination of regulatory and technological innovations.

GROWTH DRIVERS

Overall, there are five main factors that have contributed to this exponential expansion. The first and by far the most significant one is **government support**, most notably in Asia. The involvement of governments in microinsurance has increased dramatically in recent years as they approach the issue from two angles: using microinsurance to extend social protection to workers in the informal economy; and creating an enabling environment to facilitate market development.

Social protection initiatives and market-led approaches are both critical and complementary, and therefore from a public policy perspective they need to be considered holistically. One of the interesting trends in recent years is the increase in public-private partnerships (PPPs) and the willingness of policymakers to subsidize premiums for vulnerable households. Indeed, the line between market- and government-driven initiatives is becoming quite blurred, and both are necessary to ensure that vulnerable households are covered by insurance.

Several countries, including India, Peru, the Philippines and South Africa, have created enabling regulatory environments for financial inclusion by removing barriers and creating incentives for insurers to go down market. An important development here was the creation of the Access to Insurance Initiative, which supports regulators and facilitates discussion among them to reach better-informed policy decisions (see Annex 1: Strategic partners).

The second driver is **automatic enrolment** or mandatory cover. Group policies are a common means used to achieve scale because they are easy to manage and they reduce adverse selection. Automatic microinsurance also includes cover given as a free member benefit, such as the personal accident cover provided by IFFCO-Tokio with the sale of fertilizer to more than 3.5 million Indian farmers. A recent example of this approach is the loyalty incentive introduced by cell phone companies in Africa, such as Trustco Mobile in Zimbabwe, which provided insurance to 1.6 million subscribers in 1 year. Similarly, in Ghana, MicroEnsure and Tigo are providing life insurance for more than 4,500 new clients per day (see Box 22). If this arrangement gives low-income households a positive experience with insurance,

A Vietnam Women's Union representative explaining enrolment for a Manulife product

© manulife

and if the product offering evolves to include voluntary options, it could revolutionize the supply and demand sides of the microinsurance equation.

A third key driver is the development of **effective payment systems**, which can help solve one of the biggest microinsurance challenges – collecting premiums. The M-PESA system in Kenya is perhaps the best known, but similar approaches are emerging in other countries, including Vietnam (see Box 3). In environments where e-money is not allowed, bill payment systems, point-of-sale devices and banking correspondents give insurers access to large numbers of low-income households.

Box 3 DEVELOPING EFFECTIVE PAYMENT SYSTEMS IN VIETNAM

Manulife is one of the top three revenue-generating insurers in Vietnam, covering more than 300,000 clients in its first 10 years of operation. It was also one of the first insurance companies in the country to provide microinsurance. But with lapse rates of 33-55%, due mainly to the time taken for premiums to be transmitted from the provinces, the insurer needed to make substantial changes for microinsurance to be viable. It has launched a project based on using cell phones to facilitate a paperless application and premium payment process, leading to the faster transmission of premiums by the Vietnam Women's Union (VWU), its distribution partner.

The insurer expects that the use of cell phones and related process changes will save time and money, reduce lapses and improve retention. The cell phone technology is initially being introduced to VWU representatives who are responsible for collecting and tracking their members' premium payments. VWU representatives will be able to open an e-wallet account and send SMS messages to make premium payments. At a later stage, members themselves will be able to use cell phones to make premium payments.

The fourth driver is the capacity of multinational insurers and brokers to **replicate their successes** across jurisdictions. Brokers Marsh and Guy Carpenter are involved in social protection schemes in India covering tens of millions of low-income people, and they are now taking those experiences to other jurisdictions. Affinity Aon is covering 12.5 million low-income clients in Latin America through retailers, utilities and telecommunications companies. In 2010, Allianz covered 6 million low-income people across eight countries, and Zurich had 2.3 million policies covering 'emerging consumers' in seven countries, up from 1.8 million in 2009.

Finally, the expansion of insurance to protect millions of low-income people is happening not only through major leaps forward, but also through **incremental improvements** that are gradually expanding microinsurance markets. Microinsurance uptake continues to expand because of a confluence of factors, including innovative consumer education efforts, improved claims payment experiences and a better value proposition. Like the fable of the tortoise and the hare, these slow and steady improvements are not as captivating as the other growth drivers, but they are perhaps more important in fostering a culture of insurance in low-income markets and building a firm foundation for future expansion. These improvements are signs that stakeholders are beginning to get the fundamentals right in their efforts to create a vibrant microinsurance market.

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GREATER DIVERSITY OF STAKEHOLDERS INVOLVED IN MICROINSURANCE

What the developed world took several hundred years to accomplish cannot be replicated within a decade, even given all the new technology and knowledge that is now available. The challenges are often too great to be met by individual players alone. What is needed are strategic, country-wide approaches, such as the one adopted by the Philippines in which the insurance industry, government, donors and organizations representing the clients join forces.

Dirk Reinhard, Munich Re Foundation, Germany

Until recently, microinsurance usually involved either mutual insurance schemes or partnerships between insurance companies and microfinance institutions (MFIs). Although these arrangements still account for a sizable portion of microinsurance outreach, they have been eclipsed by other institutional arrangements, including PPPs and alternative distribution channels. In addition, various enablers, including consultants, operational specialists and funders, are playing important roles in creating the conditions for microinsurance to succeed.

RISK CARRIERS

Mutuals have some key advantages in microinsurance due to their proximity to members, which gives them a better understanding of members' needs, facilitates claims settlements with better controls for fraud, and tends to engender significant trust from policyholders. Only a few mutuals, however, have been able to reach millions of low-income households; most are limited by capacity, governance and regulatory constraints. This trend does not mean that mutuals are becoming irrelevant. The experiences in India, where the government's mass health schemes have benefited from the experiences of community-based health insurers, suggest that these schemes are effective mechanisms for testing new approaches and provide valuable lessons that others can take to scale.

On the other hand, the tidal wave of commercial insurers entering the low-income market has created significant capacity for scale. A Microinsurance Network study (Coydon and Molitor, 2011) shows that at least 33 of the 50 largest commercial insurance companies in the world now offer microinsurance, up from only seven in 2005. Although they lack the important advantages of locally based mutuals, some have managed to compensate for these deficiencies through partnerships, technology and other means.

Insurers' motivations for entering this market reflect the duality between social and commercial objectives, between seeking profits at the bottom of the pyramid and corporate social responsibility (CSR). Insurers who were engaged in microinsurance 5 years ago generally adopted a CSR perspective, but they are now moving towards a more balanced approach. The pull to profitability helps to keep insurers focused on efficiencies and market satisfaction, while the CSR angle provides some space for experimentation. The emerging focus on the profitability of microinsurance (see the Facility's Microinsurance Paper 11) has also spawned welcome efforts to use technology to reduce operational costs, as well as to provide efficient processes to serve masses of clients.

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DELIVERY CHANNELS

Any organization that already has financial transactions with the poor, and has gained their trust, could be a prospective microinsurance delivery channel. The rationale for insurers to partner with delivery channels is threefold. First, insurers can gain credibility in the market by leveraging the relationship that the channel has built with low-income households. Second, because of the small premium, it is difficult for a full-time agent to generate enough commission to sustain a livelihood. Many microinsurance channels therefore do other things as their main business, such as providing loans or selling groceries or agriculture inputs, with insurance commissions providing an additional income. Third, the microinsurance business model has a greater chance of success if risk carriers can quickly achieve scale, and this can be more easily done by partnering with a delivery channel that already aggregates large numbers of low-income people.

© Zurich

What we call alternative distribution in the insurance industry, the rest of the world would call the primary place where they shop: supermarket, cell phone outlet or retailer.

Brandon Mathews, Zurich Financial Services, Switzerland

As MFIs reach only a small percentage of the potential microinsurance market, insurers are now using a very broad range of channels (see Microinsurance Paper 8). Utility and telecom institutions, post offices, payment administrators and retailers have all added insurance to their menu of services. For insurance to be sold through these channels, however, there needs to be an active sales process to encourage customers to buy the product, perhaps from a call centre or through a visit from an agent. Another important limitation is that these channels usually deal only with sales and premium collection, and lack the infrastructure or expertise to manage claims. Consequently, the claims process can be inconvenient and arduous, which undermines the important demonstration effect that is so critical to fostering the low-income market's trust and confidence in insurance.

The retail channels, such as grocery and clothing stores, are interesting because they can be either formal or informal (see Box 4). Although formal retailers have the advantage of a well-known brand, client data and transaction systems, they are often less convenient than informal retailers. Informal 'mom and pop shops' ('corner shops') can have the advantage of proximity and frequency of use, but so far they have not been particularly successful with regard to sales volumes, perhaps because people do not expect to buy insurance where they get their milk and bread and top up their cell phone. Insurers have also found that developing an effective value proposition for informal retailers is challenging, leaving them with limited motivation to sell insurance.

Old Mutual's funeral insurance 'starter pack' sold through a retail channel in South Africa

© Facility

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Box 4 DISTRIBUTING PRODUCTS THROUGH RETAIL OUTLETS IN MEXICO

Don Juan, an insurance broker that has been specializing in voluntary microinsurance for nearly a decade, is now working with more than 30 MFIs in Mexico and serves as an advisor to the government's National Programme for Microenterprise Financing (Pronafim). It has started to distribute microinsurance products (life and asset insurance, and cash to meet hospitalization and education costs) through neighbourhood grocery stores that serve about 9 million households.

A technological platform is being installed in all retail outlets to enable shopkeepers to register new clients and collect premiums with greater ease and transparency. They will be trained in the sale of microinsurance both virtually (through the platform, which will include an e-learning component) and face-to-face. Within 3 years, Don Juan plans to sell more than 100,000 policies.

The emergence of cell phones as a means of microinsurance delivery and servicing is also an important trend. The ability of insurers to access a technology platform that reaches into low-income communities and facilitates sales, premium collection and claims settlement opens a huge potential delivery channel. Once the transaction costs are worked out, cell phones have the potential to drastically expand microinsurance outreach.

Three important lessons have emerged with regard to delivery channels. First, these channels essentially control access to the client, which means that they can negotiate advantageous arrangements for themselves, particularly in competitive insurance markets, which might come at the expense of client value. Second, they take insurance more seriously if the product is designed to leverage their core service in some way. For example, a grocery store is likely to be more interested in promoting an insurance product if the benefit includes a year's worth of groceries instead of just a cash benefit. Third, the relationships between insurers and distribution channels can be challenging to manage. Significant investments need to be made up front and at relevant stages to clarify expectations, roles and responsibilities and

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Street stall vendor in Zanzibar

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to align incentives. Perhaps one of the most effective means of aligning incentives is through profit-sharing mechanisms or joint ventures.

ENABLERS

Apart from governments playing the role of enabler, as discussed earlier, there are many key players contributing to the success of microinsurance, including capacity builders, operational specialists and funders.

Capacity builders. A series of studies conducted in the mid-2000s showed that the primary need of microinsurance risk carriers was not capital but technical assistance. At the time, however, there were not enough experienced microinsurance actuaries and consultants to provide that assistance. This was holding back the development and expansion of microinsurance because new entrants were making the same mistakes as their predecessors. Since then, there has been a growing recognition by insurance companies that microinsurance products are not just downscaled versions of traditional products and that specific skills are needed to design and deliver products, which has stimulated a demand for consulting services.

This demand has been partly addressed by the emergence of specialized technical assistance providers, such as Cenfri, the Centre for Insurance and Risk Management (CIRM), GlobalAg Risk, the Micro Insurance Academy and the MicroInsurance Centre; even mainstream insurance consulting firms such as Milliman and Risk Management Solutions are now entering this territory. The actuarial community is also becoming actively engaged, with the International Actuarial Association setting up a microinsurance committee to organize support for microinsurance development.

The Facility has also contributed to the creation of a new generation of experts through its joint missions and Fellowship Programme, and through a series of workshops and training courses targeting risks carriers, delivery channels and

© Poulton

Microinsurance is a key tool for protecting the world's most vulnerable people – the poor – but insurance hardly sells itself. The onus is on us microinsurance professionals to create innovative, high-value products and negotiate strong alliances. Microinsurance offers young minds a challenging and highly rewarding opportunity to help the world's poor.

Derek Poulton,
Former
Microinsurance Fellow

Box 5 DEVELOPING A MICROINSURANCE CURRICULUM

Although there is a fair amount of material supporting capacity development in the microinsurance sector, little of it is pedagogically designed. The Facility has embarked upon a process of repackaging existing information into courses and creating new training material on current innovations in microinsurance.

With support from AusAID, it is developing a comprehensive curriculum that will be rolled out in three phases:

1. Determine the training needs and delivery channel preferences of the relevant microinsurance players, as well as gaps in existing content that need to be filled
2. Create a comprehensive microinsurance curriculum
3. Support local trainers to deliver, test and adapt the curriculum modules

In 2011, work started on developing three modules focusing on actuarial skills, client value and partnership management. In November, the Facility organized workshops to pilot test the latter two modules. Topics to be developed in 2012 include: the role of financial institutions as intermediaries; and methods of communicating effectively with the low-income market.

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consultants. The next step will involve consolidating the available technical content and converting it into training material (see Box 5; for more information on the Facility's professional development activities, see Annex 3).

Operational specialists. Specialized microinsurance brokers such as MicroEnsure and Planet Guarantee, and general insurance intermediaries such as Aon and Marsh, are filling an important gap in some markets by designing products that suit the low-income market and bring together risk carriers and delivery channels. Although some intermediaries are involved in policy and claims administration, specialized third-party administrators have also made major contributions to the expansion of microinsurance, enabling low-income households to access 'cashless' healthcare benefits instead of paying for healthcare and then being reimbursed later by the insurer (see Microinsurance Paper 13). One of the great challenges for microinsurance is to manage huge volumes of data cost effectively, so the emergence of technology providers to deliver solutions based on 'paperless' enrolment, premium collection and claims processes has been a major step forward.

© Facility

A Care Foundation community health worker using a point-of-sale terminal, India

For some products, microinsurers are using the existing infrastructure or extension services to increase outreach and enhance efficiency. This development is particularly relevant for livestock insurance, where insurers can be supported by agricultural extension agents, and for weather index insurance, which requires the support of meteorological departments. For health insurance, several schemes, including VimoSEWA (Self-Employed Women's Association) and the Care Foundation in India, have engaged community health workers as sales agents or to promote improved health practices in order to reduce claims, or both.

Funders. As a new field requiring significant innovation and experimentation, microinsurance is also benefiting from the involvement of donors. Support from the sector's largest donor, the Bill & Melinda Gates Foundation, led to, among other things, the creation of the ILO's Microinsurance Innovation Facility.

Apart from stimulating innovation and experimentation, donors can also attract reluctant players into the market through seed funding, develop consumer education programmes, provide capacity-building support to stakeholders throughout the value chain and disseminate results. By sharing lessons learned, donors can prevent microinsurers from reinventing the wheel and repeating the same mistakes. Through knowledge-sharing activities, microinsurers become exposed to successful innovations that they might be able to replicate, thus accelerating learning.

The most important funders of microinsurance are the insurance companies that are using their own capital to expand their engagement in low-income markets. Investors are also becoming interested. In 2008, LeapFrog Investments, the first microinsurance private equity fund, was launched to support insurers in their quest down market. Some financial institutions focusing on development, including the

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International Finance Corporation (IFC) and the Multilateral Investment Fund of the Inter-American Development Bank (IADB), have also invested in microinsurance initiatives, suggesting that these schemes could have investment potential and should not be thought of only in CSR terms.

GREATER VARIETY IN COVERAGE AND HIGHER VALUE BENEFITS

The third trend is that low-income households are gaining access to a greater variety of insurance products, some of which provide them with better value.

Microinsurance started with basic products, which helped to demonstrate its viability. Apart from being simple to offer and manage, these basic products enabled risk carriers to develop a quantitative understanding of the market. This was a huge step in product evolution because, from an insurer's perspective, one of the biggest problems was the lack of data, which inhibited them from serving an unfamiliar market. When products were offered, the lack of data often resulted in relatively high premiums, with loadings added to compensate for the uncertainty. Through this initial experience, the ability of insurers to gather data about risk and the potential for profitability built a foundation for the development of more complex products.

Even basic products, such as credit life and funeral insurance, have evolved to provide greater client value. Instead of just covering the loan, or paying only for the funeral service, more benefits are being added to enable these products to help low-income families cope better with the loss of a breadwinner. These products are also being used as entry points to cover other people and/or provide protection against additional risks.

More sophisticated life insurance policies that include a savings element might be well suited to the poor because they build up value over time, so policyholders do not feel that they have wasted their money if the insured event does not occur. The previous generation of these products, however, provided poor customer value because of high commissions and frequent lapses. New variations are therefore being developed, which might provide a better value proposition to the market and still be viable for insurers.

A similar evolution is occurring with health cover. In some markets, experience with basic hospital cash products has led to the possibility of hospitalization covers on a reimbursement basis, which has evolved into 'cashless' benefits. Another dimension to this evolution is using health insurance to support or complement social protection benefits provided by the government (see Box 6).

Enrolling for an ICICI Lombard microinsurance health product, India

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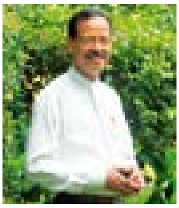


© Swarup

Technology solutions, such as the smart card-based platform used by RSBY, can help address the challenge of providing affordable financing and access to outpatient care – and thereby provide much needed relief to the poor, who shoulder most of these expenses.

Anil Swarup, Ministry of Labour and Employment Government of India

The vanguard is now pushing the frontier to cover outpatient risks or integrating non-insurance value-added benefits, such as preventative health services, 24/7 call centres and telemedicine services, and pharmaceutical discounts.

Box 6 EXTENDING HEALTH MICROINSURANCE COVERAGE

ICICI Lombard is the largest private sector general insurance company in India. One of its objectives is to provide health coverage to a large number of low-income households via government health insurance schemes, and it now covers more than 7 million families. It is currently engaged in a pilot project to provide affordable outpatient insurance benefits that complement those of the Rashtriya Swastya Bima Yojana (RSBY), India's national inpatient insurance programme for low-income households. Despite the availability of cover for hospitalization expenses, poor families continue to incur significant expenditure for outpatient services and health expenditure continues to be one of the main reasons for impoverishment in India.

The project will leverage RSBY's administrative and technology platform, which uses smart cards and point-of-service devices at healthcare provider premises, to support enrolment and the electronic transfer of member and healthcare provider data (medical, financial and demographic). The product will be distributed through enrolment camps facilitated by ICICI Lombard on behalf of government organizations in the states where the pilot districts are located. The company expects the insurance scheme to have a transformative impact on healthcare delivery for the poor and to contribute to achieving inclusive growth.

Apart from a greater variety of products, the products themselves have evolved. Group covers, often on a mandatory basis, were the most common type of microinsurance and probably still are, but there is more experimentation with voluntary group insurance and even voluntary individual covers.

Whereas products used to be downscaled versions of traditional products, product evolution is now embracing re-engineering to respond better to the realities of the low-income market. For example, past policies might have included a list of exclusions, but many insurers now recognize the benefits of minimizing them and are therefore simplifying policies and reducing the amount of work that goes into controlling exclusions in small policies.

Jasmin Suministrado (Facility Knowledge Officer) testing services included in Care Foundation's outpatient health product, India

© Facility

There is also a growing recognition that microinsurance products need to be more than just risk covers. As in the examples of life insurance that accumulates savings and health insurance that provides free outpatient coupons, low-income people need to get some value from the product even if they do not make claims. If that value-added benefit can even reduce claims – such as providing weather information to insured farmers or health education to reduce the incidence of preventable diseases – then everyone benefits.

The trend towards more complex covers, including index insurance and disaster coverage (see Box 7), and even composite products that cover multiple risks, is consistent with the complex risk management needs of poor households and could result in better client value. This increasing complexity, however, is not necessarily consistent with poor people's ability to pay or with the basic tenet of microinsurance product design – keep it simple. Microinsurance enablers and delivery channels have long advocated simple products that are easy for policyholders to understand, with no ambiguity or misunderstanding about what is and is not covered. The primacy of simplicity cannot be lost in the evolution towards more comprehensive covers.

© Fonkoze

It means nothing to help our clients build their assets if they have no way to protect them against sudden loss in a natural disaster.

Anne Hastings, Fonkoze, Haiti

Box 7 DEVELOPING DISASTER COVERAGE

With branches across Haiti serving some 55,000 borrowers and 230,000 savers, Fonkoze is the country's largest microfinance institution. It developed 'Kore W', insurance coverage to protect small entrepreneurs in the event of hurricanes, earthquakes, floods or wind events. The product is mandatory for all borrowers, who pay a premium of 3% of the loan's principal. In the event of a natural disaster, clients are eligible for a small indemnity payout to meet emergency needs such as food, water and temporary shelter, the cancellation of their loan with Fonkoze, and the ability to take out a new loan as soon as they are ready.

Kore W operates through MiCRO, a microinsurance consortium based in Barbados. MiCRO is uniquely structured to provide parametric coverage (through Swiss Re) that is triggered when there are large-scale catastrophes. When a natural disaster occurs, Fonkoze's centre chiefs immediately begin assessing client damage and report this information to the branches, which in turn notify the central office that will process claims and payouts. In June 2011, when heavy rains pummelled Haiti, causing mudslides, flooding and the destruction of property, Fonkoze tested its loss assessment methodology and reviewed client satisfaction. Clients who lost their homes or their businesses as a result of this disaster received a cash payout of 5,000 Haitian Gourdes (US$ 125) and a reimbursement of the balance of their existing loan, and were informed that Fonkoze could support their business with a new loan in the near future.

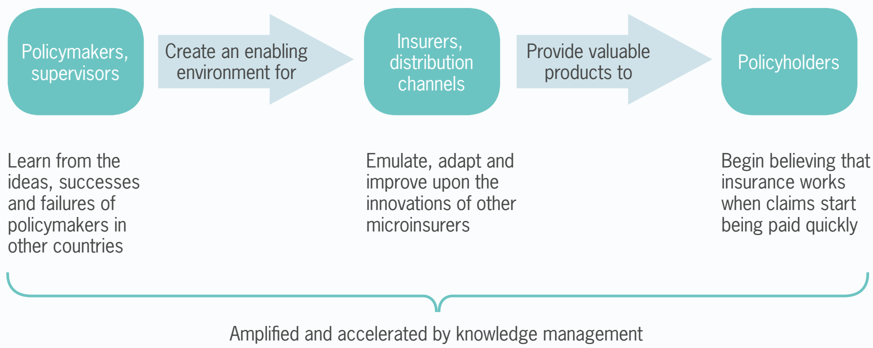
© Fonkoze

A beneficiary of the Fonkoze disaster coverage product, Haiti

CONCLUSION

The optimal trend is for more low-income families to have better access to a greater variety of valuable risk management products, and it seems as though we are moving towards this ideal. There has indeed been substantial growth in outreach, with greater access to an expanding variety of products. More insurers and intermediaries are becoming involved, leading to competition in some markets, which has the potential to enhance the value proposition for clients. And there is a greater effort to understand what it means to provide intangible risk-management services to the low-income market effectively and profitably. All this feeds the trend towards a greater focus on value for the low-income market. Together, these trends reflect a sector that is maturing into adolescence, driven by a demonstration effect among policymakers, providers and prospective policyholders (see Figure 1).

Figure 1 THE TREND TOWARDS MATURITY IN THE MICROINSURANCE SECTOR



A critical challenge in building the market is on the demand side, creating conditions that encourage low-income households to turn naturally to insurance as part of their risk management toolkit. In environments where microinsurance is prevalent, and providers are cultivating the trust of that market through efficient claims payments, such conditions are emerging. But microinsurance providers need to continue to recognize that their most important function is to pay claims and build on the emerging demonstration effect.

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THE FACILITY'S LEARNING JOURNEY

In 2010, the Facility began the transition from providing grants to extracting lessons from grantees and partners. It launched a knowledge management (KM) strategy to improve the tools for capturing lessons and to create effective mechanisms for analyzing, synthesizing, packaging and sharing these lessons in formats relevant to the Facility's target audiences. Whereas the 'knowledge-capture' tools focus on generating and recording knowledge, the 'knowledge-sharing' tools are concerned with packaging and disseminating it, and using it to build capacity in the microinsurance sector.

The knowledge-sharing process begins with using data from partners' progress reports and 'learning diaries' describing lessons emerging as the project unfolds, and from the Facility's mid-term reviews in order to create a chronological 'learning journey' highlighting successes and challenges (see Box 8). The information from the learning journeys is used to prepare the Facility's *Emerging Insights*, bite-sized lessons that are distributed regularly by email (see Annex 2) and to contribute to the thematic studies.

These KM activities are intended to seek evidence that microinsurance does benefit the poor, can be made more valuable and can be viable. The lessons collected so far are preliminary, but they provide some insight into these two core issues – client value and viability. Here, we provide selected lessons from the Facility's learning journey arranged to tackle the following topics:

- Proving client value
- Improving client value
- Creating and sustaining viable operations
- Balancing client value and business viability

Box 8 RECORDING LEARNING JOURNEYS

In collaboration with the grantees, the Facility has compiled 33 learning journeys since 2010 that can be consulted in its Knowledge Centre. Four were created in 2011:

- *FASECOLDA, the Colombian insurance association:* looking into the effectiveness of mass media in changing the knowledge and behaviour of the target market for microinsurance
- *IFFCO-Tokio General Insurance:* piloting in India a cattle insurance project targeting more than 25,000 low-income farmers and their families and harnessing lessons on cost, profitability and client value
- *PROFIN Foundation:* presenting in Bolivia an account of how it overcame the fact that the price was at first perceived as expensive by providing non-financial value and by capitalizing on trust
- *Zurich Brazil:* presenting insights on marketing, sales and distribution of a composite insurance product

The learning journeys are regularly updated to incorporate descriptions of new activities carried out by grantees and their insights on their successes and challenges.

© Dercon

The success of microinsurance should not be assessed by measuring uptake, but by measuring the actual impact that would allow governments, policymakers and donors to make informed decisions about allocating resources to microinsurance as compared with other pro-poor interventions.

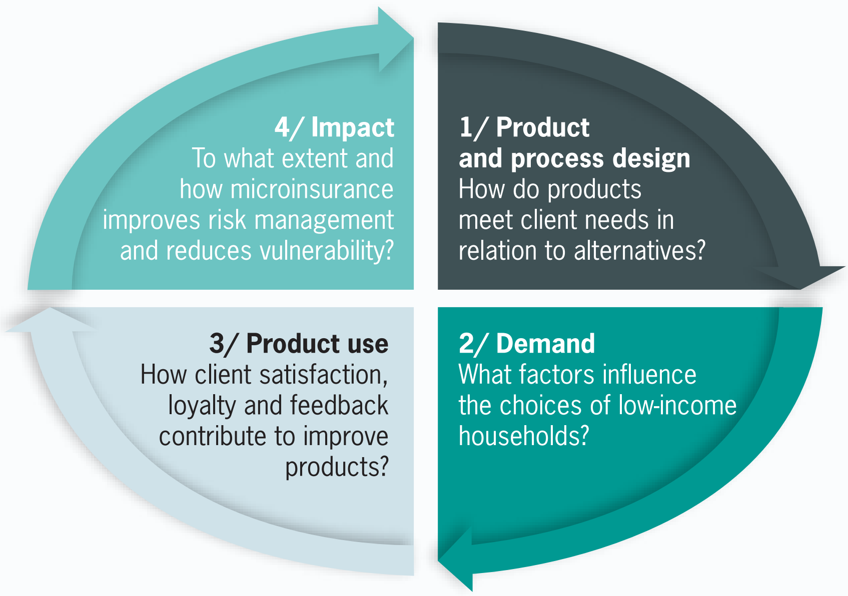
Stefan Dercon, DFID and the University of Oxford, UK

PROVING CLIENT VALUE

Client value is about improving risk-management practices in order to reduce vulnerability and improve well-being. The process of creating value starts with developing a product and organizing its distribution (see Figure 2). Value is validated when clients use the product and are satisfied enough with it to renew their policy.

Over the past 5 years, microinsurance has developed rapidly, with millions more low-income households around the world now accessing insurance coverage. Against this background, the focus is now moving away from how to provide and upscale microinsurance, and towards assessing the extent to which it benefits poor households and how client value can be improved. While this change of focus is partly the result of sector evolution, it is also in response to the increasing demand for evidence of the impact of microinsurance, particularly from donors and policymakers.

Figure 2 CLIENT VALUE CREATION MODEL



Our knowledge about microinsurance impact is limited but expanding (see Boxes 9 and 10). Quantitative findings from rigorous research provide evidence that microinsurance does benefit poor households, although the findings thus far focus mainly on health risks. Several impact studies, some of which are being funded by the Facility, are now being conducted, making it likely that more tangible results will emerge in the coming years.

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Box 9 ASSESSING VALUE FOR CLIENTS

The Microinsurance Network is tackling the client value question using two approaches. In an effort to prove the value of microinsurance, the Network's Impact Working Group is developing guidelines on how to conduct impact studies properly, not only to improve their effectiveness, but also to promote common approaches that will facilitate analyses across studies.

At the same time, the Performance Working Group has proposed a set of social performance indicators that practitioners, donors and investors can monitor. These indicators will not prove that microinsurance has an economic and social impact, but they will help stakeholders to monitor their performance in order to see if it is efficient and socially relevant, and provide a basis to measure improvement over time.

Box 10 EVALUATING HEALTH MICROINSURANCE IMPACT

Studies from Africa and Latin America indicate that health microinsurance increases the use of health-care services. As described in the Facility's Research Paper 2, insured people are more likely to access healthcare than uninsured people, especially among the poorest. When studying rural workers' access to healthcare in Senegal, researchers found that insured people were 2.4 times more likely to seek care than the uninsured. The increase in access to healthcare due to insurance was higher among the poorest people, suggesting that the effect of insurance on access to healthcare is greatest for the poorest.

Research Paper 5 reported the results of an evaluation of voluntary health insurance in Managua, Nicaragua. It showed that insured children who were sick at the start of the study made significantly more visits to healthcare providers. The product did not result in wasteful consumption, however, as children who were insured and not sick at the start of the study made fewer visits to healthcare providers than those who were uninsured and not sick.

Given the rapid evolution of microinsurance, it might be premature to invest heavily in the 'proving' agenda at this stage, because rigorous studies tend to be expensive. Efforts now should focus on the 'improving' agenda so that there will be mature products at a scale that can be assessed by impact studies in the future.

Intensive care unit in Le Dantec hospital, Dakar, Senegal

IMPROVING CLIENT VALUE

Microinsurance providers need to understand client needs and preferences in order to improve their products and processes, and hence improve client value. Do the products meet client needs better than other options (insurance or otherwise) offering protection from similar risks? How can products and the related processes, as they affect clients, be improved?

In 2011, the Facility developed an assessment tool called PACE to help practitioners improve client value (see Box 11). When testing the tool in India, Kenya and the Philippines (see Microinsurance Paper 12), one important finding was the clear correlation between client value and the maturity of microinsurance markets. In the Philippines, for example, where for more than a decade microinsurers have been continuously improving life products, there seems to be no question about the value of these products. In Kenya, however, where microinsurance innovations in composite products have only recently started, the client value of most of these products is less obvious as they do not appear to improve upon existing risk-management mechanisms.

Box 11 USING PACE ANALYSIS

PACE (Product, Access, Cost, Experience) is a tool created by the Facility for assessing the client value of an insurance product by comparing it with other products and with other means of protection from similar risks. PACE focuses on improving value, rather than proving it.

A key difference between PACE and other client value assessment tools is that it looks at both product specifications and related processes. Products will deliver value to low-income households only if they are appropriate, accessible, affordable, responsive and simple.

As shown in Figure 3, PACE has four dimensions:

- *Product:* assess appropriateness of coverage, benefits, eligibility criteria and availability of value-added services
- *Access:* assess accessibility and simplicity by investigating choice, enrolment, information, education, premium payment method and proximity
- *Cost:* assess affordability and value for money, and look at additional ways of keeping down overall delivery costs
- *Experience:* assess responsiveness and simplicity by looking at claims procedures, processing time, policy administration, product tangibility and customer care

Another important finding emerging from the PACE assessments, across several product types, is that client value can certainly be improved by extending benefits and correcting poorly designed processes.

Studies show that there is considerable opportunity to innovate even with basic products such as credit life (see Microinsurance Paper 9) and funeral insurance (see Microinsurance Paper 10). Credit life products can become more valuable for clients if they cover additional risks (e.g., permanent disability), insure additional people (e.g., the spouse) and insure assets (e.g., the home or enterprise). Funeral insurance providers are starting to include other benefits in their products. Hollard Insurance in South Africa offers a product that, in addition to the cash payout for the funeral, provides a rental car, cell phone airtime for making funeral arrangements and payments toward groceries for 6-12 months after the funeral.

Many health microinsurance products provide only a hospitalization benefit, and their value can therefore be improved by including other benefits, including outpatient services, complementary (and non-insurable) benefits such as preventive health services and discounts for outpatient services that are paid for out of pocket (see Box 12). Another relatively easy way to enhance health microinsurance is to include a hospital-cash benefit that helps clients pay for drugs or services that are not available in under-financed public health systems. For example, the Cooperative Insurance Company (CIC) in Kenya pays out the equivalent of about US$ 22 per week for up to 25 weeks during hospitalization.

Box 12 IMPROVING THE VALUE PROPOSITION OF HEALTH MICROINSURANCE

Improving client value is a continuous process that requires understanding client needs and preferences and building on that knowledge. Uplift Mutuals, a community-owned health scheme in India, provides a useful example of this process. Given India's large and diverse public and private health systems, Uplift understood that its members valued access to health services as much as the financial benefits of insurance.

To improve access, Uplift built a network of more than 300 accredited clinics and hospitals, and created a 24/7 helpline to direct members to appropriate healthcare providers. It also expanded its health benefits (e.g., outpatient drug discounts, monthly health camps, free monthly check-ups) to increase value for all members, even those with no hospitalization claims. Its efforts to improve client value are paying off – its members' out-of-pocket spending on healthcare fell by 22% and the renewal ratio increased from 48% in 2008 to more than 60% in 2010.

Improving client value by extending the coverage of an insurance product, however, does have its limits. In Kenya, a PACE analysis compared three composite products offered by Britak, CIC and Pioneer Assurance and two inpatient health insurance products offered by Jamii Bora Trust and the NHIF. The results are shown in Figure 3. The low scores for most products (except for Jamii Bora, see Box 25) can be attributed to the complex nature of composite products and the limited maturity of the schemes surveyed. Although there are strong arguments for composite products given the high distribution costs, their inherent complexity makes them difficult to explain and administer. This finding reinforced the caution noted earlier that the importance of simplicity should not be lost in the development of more comprehensive covers.

Pharmacy open at night, Bangalore, India

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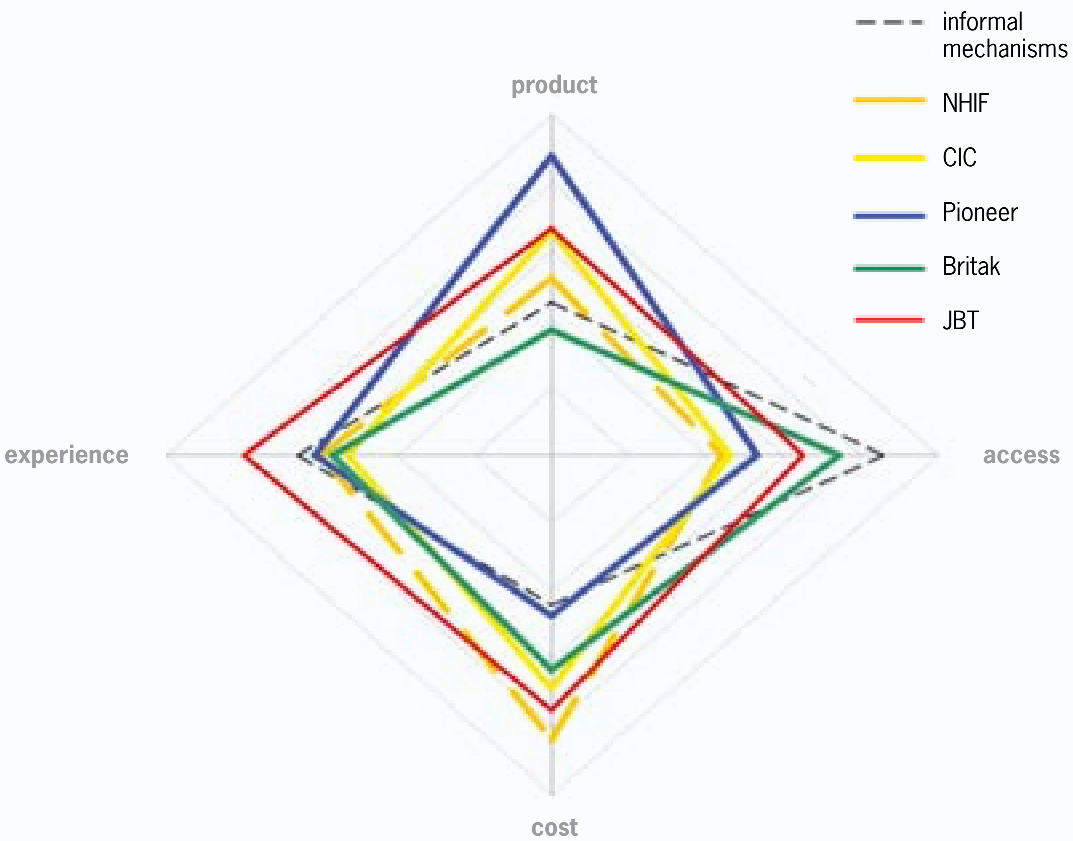
Figure 3 PACE ASSESSMENT IN KENYA*



	informal mechanisms	NHIF	CIC	Pioneer	Britak	JBT
product	2.3	2.6	3.3	4.4	1.9	3.3
access	4.3	2.2	2.3	2.7	3.7	3.3
cost	2.2	4.2	3.4	2.4	3.2	3.8
experience	3.3	3.0	2.7	3.1	2.9	4.0

*The scoring system was based on a 5-point scale, where 5 = high client value

CREATING AND SUSTAINING VIABLE OPERATIONS

Low-income households need access to relevant risk management tools on an ongoing basis, and therefore it is critical that microinsurance schemes are viable. But microinsurance lies at the intersection between financial inclusion and social protection, and therefore the concept of viability can be quite different from that for microfinance, for example, whereby MFIs are expected to be self-sustaining. Where insurance is used as a tool to achieve public policy objectives, such as protecting farmers from drought or extending healthcare to vulnerable households, viability can involve some form of ongoing subsidy and public-private partnerships (PPPs).

Research to date has focused mainly on the business case for microinsurance, as illustrated by the Facility's profitability analysis (see Microinsurance Paper 11) and by the paper of our strategic partner MILK (see Annex 1). This approach strives to answer the following questions: Is the investment of capital and other resources in microinsurance justified over time such that the benefits, costs and risks balance out to create the commercial case for an insurer, intermediary or distributor to enter, or expand its position in, the microinsurance sector? In other words, can microinsurance initiatives be profitable?

The answer depends on many factors related to the business model, product and processes that contribute to the commercial viability of microinsurance. So far, the following success factors for achieving profitability have been identified: increasing and sustaining demand to achieve scale; monitoring and improving processes so as to reduce costs; managing distribution partners; and leveraging the potential of technology. In practice, these factors are interrelated to a large extent.

INCREASING DEMAND TO ACHIEVE SCALE

Microinsurance initiatives need to achieve scale to cover start up costs as well as fixed costs. The low margins in microinsurance can mean that larger policy volumes are needed to build viability and generate enough profit. Scale is also needed to maintain a stable pool of risks that, in turn, enables insurers to manage claims costs. The attainment of scale is achieved not just by attracting new clients, but also by retaining existing ones. Hence the need to monitor the retention rate, which is often an indicator of client satisfaction and product relevance.

Scale is connected to demand, which can be low for many reasons, including a lack of familiarity with microinsurance among both providers and potential clients. Providers might lack enough experience with the low-income market, while potential clients often do not understand the concept of insurance and are reluctant to trust the providers.

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One way for risk carriers to stimulate and sustain demand is to provide a good value proposition (see Box 13).

Box 13 ADDRESSING LATENT DEMAND

To increase outreach, the Centre International de Développement et de Recherche (CIDR) decided to diversify beyond its standard family health product. Among the innovative products introduced was a school health product designed to meet the needs of parents and schools. It meets parents' needs by guaranteeing that their children will be cared for in the event of illness or an accident at school (a particular concern of parents who work far from their children's schools) and it meets schools' needs by limiting the liability of teachers, who otherwise had to cover treatment costs for children falling ill at school without the certainty of reimbursement.

Inexpensive to sell and manage, the product is sold as a group product to schools and the premium is included in school fees. About 80% of schools renewed their policy after the first year of operation, and the scheme was expanded to 16 more schools in the second year, covering 3,500 children. The claims ratio was 43% in year one and 37% in year two.

Members of l'Union des Mutuelles de Santé de Guinée Forestière (UMSGF) being given information on a family health package

© Facility

Recent work in behavioural economics also shows that small changes in product design that take clients' preferences and biases into account can make a surprising difference to the extent to which microinsurance products are taken up (see Microinsurance Paper 5). Clients' purchasing decisions are influenced by the way they think about losses and gains, weigh present and future trade-offs, struggle with self-control, and perceive the choices offered and how those choices relate to current needs (see Box 14).

Insurers can also stimulate demand by making insurance benefits more tangible. Microinsurance practitioners often find this difficult. The two examples presented in Box 15 serve to illustrate innovative approaches in this regard.

Box 14 GETTING THE TIMING RIGHT

One of the main reasons that poor households struggle to invest is because future needs are not seen as 'salient' (not currently at the forefront of their minds). In microinsurance, the problem of salience is particularly important for people with irregular or seasonal incomes. People invest in insurance according to available funds and what they consider to be their current most salient needs, with unexpected future events tending to be low on their list of priorities.

Research found that West African farmers were much more likely to purchase fertilizer at the time of harvest because of availability of liquid funds. Marketing insurance to people when they have money to spend seems intuitive; for farmers, harvest time is not only the time when they are most likely to have funds, but also when the benefits of insurance might seem most salient.

Box 15 MAKING INSURANCE TANGIBLE

In Peru, Protecta is offering life insurance along with a 'Protecta Card', which gives clients access to discounts and preferential rates at healthcare, education and recreational facilities.

In India, Weather Risk Management Services (WRMS) improved the value of its weather index insurance services by offering farmers a wider array of agriculture risk-management benefits. In addition to insurance, the product to the farmers now includes:

- *Information cards:* Farmers get daily SMS and vernacular messages about the weather forecast in their region for the following 2 days, weather conditions over the past 2 days, and crop prices
- *Automated irrigation switch:* This allows farmers to run their water pumps remotely through cell phone calls/SMS; the pumps are also switched on in response to ambient and soil temperature and rainfall conditions
- *Soil profilers:* These provide details of salt and nutrient levels in the soil, enabling farmers to optimize their fertilizer applications

© Facility

You need to understand your market and use education materials that fit in with the context of the people, and with their livelihood style, so that it does not look like you want to change them, but rather that you want to improve their resilience or ability to deal with some of the issues we are insuring.

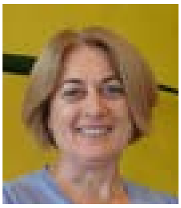
Brenda Wandera,
ILRI, Kenya

Marketing strategies are also essential in creating demand. First, microinsurers need to get the marketing message right, create trust through inspirational branding and break down abstract concepts into elements that are aligned with the livestyle of low-income households (see Box 16).

Box 16 INITIATING COMMUNICATION WITH LOW-INCOME HOUSEHOLDS

Fuelled by strong branding and celebrity endorsement, Max New York Life (MNYL) found that focusing a marketing campaign on the benefits of regularly saving small amounts of money was more effective in engaging low-income people than focusing on abstract ideas. Building assets is much better received as a concept than protecting a family when a breadwinner dies. Once the MNYL team manages to engage its audience, it then gradually explains the key features of the product. MNYL has found that sequencing communication is an important ingredient in gaining trust and seeding business viability.

Using a Bollywood star to promote Max Vijay, a savings-life insurance policy developed by MNYL in India



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Insurance education should be integrated in the operations of the delivery channel, which means embedding education into marketing and promotion materials and activities.

Elisabeth McGuinness, MicroFinance Opportunity, USA

Then, a key trend in marketing to sustain demand is to move away from print-heavy campaigns and place greater focus on outdoor activities (e.g., meeting potential clients, arranging contests and/or quizzes). In Haiti, for example, the Alternative Insurance Company (AIC) uses a marketing approach based on street games and a van with a video.

Eventually, as low levels of insurance literacy make it difficult for clients to understand and use policies, marketing should include an education component where possible. This requires educating clients about a product and how it can be used within the context of other risk management solutions. MicroEnsure's comprehensive education programme in the Philippines, for example, provides information on savings and insurance through comic books and songs, explains product benefits and logistics, and trains delivery partner staff, especially in claims administration.

This is costly, however, and few microinsurance providers would be able to implement such programmes without external funding. If this support is not forthcoming, then providing clear information about a product is a good start. The First Community Cooperative (FICCO) in the Philippines provides a simple policy document that describes the key benefits of the policy and ICICI Lombard in India includes a list of exclusions on the back of their insurance cards.

Sample of comic books used by the MicroEnsure campaign in the Philippines, the CNseg's Estou Seguro project in Brazil, and by ILRI in Kenya

CONTAINING COSTS

The business viability of microinsurance initiatives depends largely on having the capacity to manage large volumes of small premiums while striving to reduce costs.

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Risk carriers need to improve efficiency by monitoring their processes, adjusting their products when needed and controlling claims costs.

The Facility's analysis of five microinsurance initatives (see Microinsurance Paper 11) showed that building viable microinsurance operations, from a market-based perspective, requires insurers and their distribution partners to carefully monitor their activities, measure costs, learn from the market and adjust products and processes. Old Mutual in South Africa was amongst those surveyed and provides a good example of how monitoring and adjusting processes can help get profitability on track (see Box 17).

© Munich Re Foundation

A number of insurers are looking at the opportunities in the microinsurance market. They see potential in this market, not just from creating value from a social responsibility perspective, but also from a profitability perspective, so that microinsurance initiatives can contribute to the financial success of the company.

Janice Angove, University of the Witwatersrand, South Africa

Box 17 IMPROVING THE CLAIMS RATIO

Old Mutual initially experienced problems with the claims ratio for its group funeral insurance product. The ratio exceeded 100% in 2005 and 2006, much higher than the target of 68% used in its pricing assumptions. This was due to a policy provision that allowed members to replace an insured adult dependant with another person upon on the death of the originally insured dependant.

To monitor the mortality rate, Old Mutual instituted a process whereby a report was automatically generated when a group's claims ratio exceeded 70%, at which point actuarial staff would decide whether or not to increase the premiums. Premiums for many groups characterised by high claims were increased in 2008, resulting in more lapsed policies but an improved (lower) claims ratio for those remaining in the company's portfolio. In 2009, Old Mutual eliminated the policy provision allowing a member to replace deceased dependants, thereby reducing the claims risk. These adjustments had contributed to an improved claims ratio of 63-68% by 2011.

A core set of costs that microinsurance have to manage involve claims. Bad claims experiences can lead insurers to increase premiums, restrict benefits or set special premiums for specific groups rather than apply a common rate for all clients. Insurers also need to find a balance between managing adverse selection and fraud risks while maintaining efficiency and low costs. Analyzing claims data can provide insights into how to reduce claims costs, as illustrated in Box 18.

Box 18 SEGMENTING CLAIMS DATA

Segmenting claims data properly can take time, but this process is essential for understanding the drivers of claims costs and developing targeted interventions. One approach is to analyze the data on a per unit basis instead of looking at aggregate amounts.

In India, VimoSEWA used this approach when analyzing the claims data for a composite product that included health benefits. The annual claims data were analyzed on an aggregate and per unit basis (e.g., number of hospitalizations per 1,000 members per year). The data were then analyzed according to various segments (e.g., rural/urban, age band, gender, and length of time enrolled). The analysis showed that common water-borne diseases, respiratory ailments and hysterectomies were the main drivers of claims costs, but that in many cases they were preventable. In response to this finding, VimoSEWA created specific interventions to educate women on how to prevent these illnesses and avoid unnecessary hospitalizations.

© Mapfre

Investing in microinsurance schemes is important. However, it is not possible to break even in the first year. Depending on the value of the investment, in general returns are not received until the fifth year. Thus, microinsurance must only be considered by those wiling to make a commitment in the long run.

María Eugenia Pacheco Bettín, MAPFRE, Colombia

MANAGING DISTRIBUTION PARTNERS

Another key factor in sustaining the viability of microinsurance initiatives is to consider these initiatives from the perspective of the entire value chain, not just from the risk carrier's perspective. Each partner has to commit to play an active part and to be satisfied with the terms of engagement, or the initiative is unlikely to survive. A distribution channel that recognizes the value of the insurance products for itself and its clients is likely to help its insurance partner achieve scale and meet client needs.

MFIs have been the most common partners in accessing the low-income market, but many insurers are now experimenting with new distribution channels. They are partnering with organizations that have a trusted brand and branches or access points that reach a large, diversified customer base, as well as an existing infrastructure for sales, premium collection and claims management.

A review of 14 distribution models (see Microinsurance Paper 8) showed that insurer/distributor partnerships evolved successfully when distributors began to see the benefits of adding microinsurance coverage to their product range. Distribution partners assumed a larger role in product development, especially if they were concerned about reputational risk. The most successful models appear to be those where distribution partners see insurance products as an explicit client retention strategy (see Box 19).

Box 19 COMMITTING TO THE INSURANCE OFFERING

In 2001, CODENSA, the largest electricity distribution company in Colombia, implemented a strategy to strengthen its client base. It developed a customer loyalty programme in which a core component was the offer of non-electricity products that could be paid for with the electricity bill. In 2003, it expanded the programme by going into partnership with MAPFRE Insurance to offer five insurance products: life, personal accident, funeral, home and vehicle.

As an equal partner with a significant investment in the project's success, CODENSA is committed to maximizing profitability and developing an effective microinsurance business model. The partnership has paid off, with more than 300,000 families making monthly insurance premium payments with their electricity bill between 2001 and 2008.

Microinsurance distribution covers all interactions with the client. Much of the innovation in this area has focused on sales and premium collection, but distribution should also be concerned with claims settlements. One approach is for insurers to use distribution partners as 'one-stop shops' that not only sell policies and collect premiums, but also pay claims and enable clients to change their policies. Another approach is to experiment with multiple sales channels to identify which ones could be the most effective for starting the sales process and following up on servicing and renewals. Whatever approach is taken, building a successful distribution channel requires significant investment by both insurer and distribution partner (see Box 20).

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Box 20 INVESTING IN DISTRIBUTION PARTNERSHIPS

In 2004, MAPFRE Insurance in Brazil formed a partnership with Casas Bahia, a credit-based electrical appliances retailer, to distribute life, unemployment and personal accident insurance policies through the low-cost stores. MAPFRE and Casas Bahia share responsibility for policy servicing and administration. Insurance is offered and explained to customers by Casas Bahia sales staff during the furniture sales process. Casas Bahia handles the claims, provides after-sales support and assists MAPFRE in back-office policy administration.

The investment for MAPFRE in human resources, technology platforms and information systems was significant. MAPFRE had to train Casas Bahia sales staff to sell the insurance policies, and information technology platforms were installed in the stores to facilitate policy sales. Casas Bahia retains client data in the information system, passing it on to MAPFRE only for reporting purposes.

LEVERAGING NEW TECHNOLOGIES

Technology has the potential to contribute to viability, by allowing microinsurance practitioners to respond effectively to the combined pressures of growth, competition and regulation through improving processes, accessing virtual networks and reducing fraud.

The right combination of technologies for user interface, transaction processing and data analysis can help practitioners reduce operating costs and reach remote clients efficiently. The successful use of technology can lead to changes in processes that, in turn, could improve business efficiency and client value (see Box 21).

© Munich Re Foundation

To meet expectations, we need to start imagining a distribution landscape where some distributors become 'one-stop shops'. Distribution partners should not only sell policies and collect clients' money, but also allow clients to make changes to their policies and become the point where claims are paid. If not, we risk losing client value where it ultimately matters.

Anja Smith,
Cenfri, South Africa

© ICICI Prudential

Tea plantation workers covered by ICICI Prudential microinsurance policies

© Facility

Distribution is the central challenge facing microinsurance, and technology is the best answer to that challenge. A product sold by agents, instead of through technological platforms, doesn't have the potential to access low-income demand quickly, which limits the core value proposition of the product. Without scale, and therefore without technology, the product is a non-starter.

Peter Gross, MicroEnsure, Ghana

Box 21 ISSUING POLICIES ONLINE

When ICICI Prudential began operating in remote tea estates in Assam, India, it realized that in order to contain costs and issue policies more efficiently it had to streamline the policy issuance process. The company's main focus was to reduce dual data entry and eliminate the physical flow of documents between service centres and its central operations team in Mumbai.

In the revised process, all data entry was completed at the service centres via an online system. The relevant identification and payment documents were collected, scanned and emailed to Mumbai, where staff verified them, issued the policy and generated the 'welcome kits' online. The kits were then printed at the service centres and given to the client.

This process enabled ICICI to minimise postage costs and reduce the time taken to issue policies and deliver welcome kits from more than 2 months to less than 2 weeks. The company is conducting a cost-benefit analysis to compare the system development costs with costs saved by implementing the revised process.

Until recently, risk-carriers partnered mainly with distribution channels that had physical networks. However, cell phone technology and handheld devices give insurers new ways of reaching clients. They can be used to offer a higher quality service to remote clients (e.g., telemedicine and hand held terminals could be used to expand health benefits to clients in rural areas) and give clients new ways of enrolling and making premium payments. Partnerships with cell phone providers offer access to a concentration of clients (including informal workers) at low cost, a financial transaction platform and substantial brand power (see Box 22).

© ILO

Small stand selling cell phone recharge cards in Dar Es Salaam, Tanzania

When the technology appears complex to operate, however, distribution partners and clients might prefer simpler and more familiar solutions, such as the one described in Box 23.

Box 22 SCALING UP WITH CELL PHONE TECHNOLOGY

MicroEnsure in Ghana has launched life insurance products in partnership with two cell phone operators, MTN and Tigo, that control 80% of the country's cell phone market. The products are designed to drive the core business of the partners. Through these products, MicroEnsure expects, within a year, to double the number of Ghanaians insured (excluding government-based health insurance).

For the MTN product, clients can handle enrolment, premium payment, policy management and claims through their cell phone handset, and the premium is automatically deducted from their Mobile Money wallets. The Tigo product provides cover based on clients' airtime use. Although the product is free, clients need to sign up to the policy at a Tigo office. Each month they receive an SMS message showing how much cover they have earned based on their airtime use.

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Box 23 USING SCRATCH CARDS


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MNYL scratch cards

MNYL in India developed a 10-year life insurance endowment policy through which clients could save via 'top-ups' transacted by handheld terminals in retail outlets (e.g., small shops, MFIs and government kiosks). The outlet staff found the terminals cumbersome and thought the commission (3% of top-up amount) did not justify the time needed to complete a transaction.

In response, MNYL offered 'top-ups' using scratch cards. Clients bought the cards at the outlets and called a toll-free number to record the top-up amount stated on the card. This had a threefold benefit: it made the sales process faster and easier for the distributors; clients responded well because they were familiar with the cards (they use them to buy cell phone minutes); and MNYL could update client contact information when clients called.

Technological advances can also be used to improve the viability of a scheme by controlling fraud, as illustrated in Box 24.

Box 24 USING TECHNOLOGY TO REDUCE FRAUD

Livestock insurance is critical for mitigating losses incurred by livestock deaths, but insurance claims are often high because of the prevalence of moral hazard and fraud, reducing the availability of affordable coverage. IFFCO-Tokio, a cooperative insurer in India, tested a model to reduce fraud by injecting an identification device, based on Radio Frequency Identification (RFID) technology, behind the ear of insured animals. Although the project is still at the pilot stage, the lower claims ratio of 35% (more than 5 times less than before) suggests that the technology is working.

Recording the tagging of livestock in enrolment for IFFCO-Tokio livestock insurance, India


© Facility

Reducing fraudulent claims has also led to faster claims settlements and lower premiums. Although the RFID helps, perhaps more important is the process change that IFFCO-Tokio initiated because of the technology. The insurer now oversees the tagging of each new animal, reducing the possibility of claims being filed for uninsured animals. There was clear resistance to this from bank staff and veterinary doctors, but most cattle owners have accepted the new technology because the process for filing a claim is clear and, despite initial concerns, the technology does not harm the cattle.

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BALANCING CLIENT VALUE AND BUSINESS VIABILITY

Insurers have to manage many trade-offs between client value and business viability. For example, although it is easier to achieve scale, and therefore viability, through mandatory products, do these products provide client value? The pros and cons of mandatory vs. voluntary products are illustrated in Box 25.

Box 25 OFFERING MANDATORY VS. VOLUNTARY PRODUCTS

The microinsurance product developed by the Jamii Bora Trust in Kenya is similar to informal mechanisms in terms of access, but provides a better service and more comprehensive cover. It is relatively good value for money, partly because of its mandatory nature and because there are adequate controls for reducing fraud and moral hazard. The mandatory feature means clients lack choice and, in most cases, pay for the premiums via loans. This is counterbalanced, however, by product simplicity and easy access to Jamii Bora branches. The Trust is now considering giving clients more choice, but it seems that making the product voluntary might reduce client value because adverse selection and administration costs will increase significantly.

Mandatory products can also provide indirect value to clients, if insurers can leverage lessons learned and available profits to develop more complex and comprehensive microinsurance products. The mandatory credit life product offered by CIC in Kenya achieved scale and generated significant profits. CIC used these profits to establish a microinsurance unit, build internal capacity and develop more comprehensive microinsurance products. Among these is Bima ya Jamii, which provides a health, funeral expense, loss-of-income and personal accident benefits for the principal member and named dependants.

Rice farming in the Kandal province, Cambodia

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Another important consideration in balancing client value and business viability lies in the degree of choice offered to clients. Many insurers are designing products that combine insurance and savings. Given the complex financial lives of low-income households, where people often simultaneously have to manage cash flow and risk, and raise lump sums to meet large expenses, the development of savings-linked insurance makes sense. But it requires balancing simplicity with flexibility. Simplicity can help gain client trust and improve understanding of the product, whereas flexibility enables clients to respond to unexpected changes. Insurers need to decide how much choice to offer, bearing in mind that although choice increases the likelihood of client needs being met, it also increases administration costs and can reduce clients' understanding of the product.

In savings products, as in microinsurance generally, some compromise on flexibility in favour of simplicity can help, as Box 26 illustrates.

Box 26 BALANCING FLEXIBILITY AND SIMPLICITY

Four insurance firms operating in India provide examples of the results of compromising on flexibility in favour of simplicity:

- Bajaj Allianz offers a range of options regarding terms, sums assured and premium frequency. Decisions must be made at the level of the group, however, and all group members must abide by the selection made
- SBI Life allows the group to choose the level of the sum assured and then assesses the risks in order to provide the maturity guarantee, but it offers only annual premiums and only two options for policy terms
- ICICI Prudential limits policy terms to 7-15 years. It allows policyholders to choose the term and the level of cover required from within this range. It accepts premiums only on an annual basis, but takes a client's cash flow into account when imposing this restriction
- MNYL offers only a 10-year term, but allows its clients to decide premium amount and frequency. The product provides great flexibility, but MNYL has found it difficult to motivate clients to make these contributions on a regular basis. After paying their initial premium, about 80% of clients did not pay any additional premiums, which undermined the portoflio's financial viability, and could therefore reduce MNYL's profitability and/or the investment return available to clients

Claims management is another important consideration in balancing client value and business viability. Insurance becomes tangible for clients when a claim is made. Claims settlement procedures also provide an opportunity for insurers to build trust and loyalty. A PACE analysis of composite products offered by insurers in Kenya found that the list of required documents was often too long and had an adverse effect on client experience. These processes could have been simplified by reducing the documentation requirements and allowing for the use of affidavits and death certificates produced by village heads. In the Philippines, a PACE analysis highlighted good examples of client value enhancements. Among them was the practice used by MicroEnsure, CARD and CLIMBS (a life and general insurance cooperative) of paying the funeral benefit component of a policy within 24 hours, with the rest of the life benefit paid later and subject to more documentation. More analysis is needed, however, on the impact on costs of faster claims payments and on the risk of moral hazard and fraud created by less control.

Managing the trade-offs between client value and business viablility can be particularly difficult in the microinsurance sector. A balanced value approach across all four dimensions of PACE (see Box 11) makes sense for a client, but it might not be the best choice for insurers who want to differentiate their coverage in an increasingly competitive microinsurance environment. There is no simple answer as to the best business strategy, but it is clear that balancing client value with business viability is essential, because long-term viability depends on products meeting client needs and providing value.

ANNEXES

ANNEX 1: FACILITY PARTNERS

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FACILITY PARTNERS

ANNEX 1: FACILITY PARTNERS

A key pillar of all the activities carried out by the Facility is partnership. Partners include insurance industry players, researchers and the many agencies involved in promoting microinsurance, from networks, consultancies and regulators to donors and technology providers. Through close collaboration with partners, the Facility is able to fill the gaps in its core expertise and capacity, while its partners, in turn, benefit from the resources that the Facility has to offer, a worldwide practitioners network, the knowledge base it has created and the knowledge analysis and dissemination capacity it has built up.

In this Annex, we feature a map showing the location of the Facility's grantees, regional partners and capacity-building partners. We also provide details on the 2011 Innovation Grantees and on current strategic partners.

ROUND 5 INNOVATION GRANTEES, 2011

For details on the previous Innovation Grantees, please refer to the Facility's 2008-2010 Annual Reports or go to the Microinsurance Innovation Grantees section on the Facility's website

Amicus Advisory

Project: Impact of smart card technology on delivering health care
Country: India
Consortium partner: Sigma Research and Consulting Pvt. Ltd

The project seeks to introduce biometric smart cards to improve access to and use of healthcare in the RGSSBY scheme being implemented by the Government of India. The scheme provides a subsidized cashless health insurance product, with 80% of the premium paid by the government. The project will track the efficiency gains with the new technology and measure the increased value for clients.

Grupo Bradesco Seguros e Previdência

Project: Expanding access to insurance for low-income households
Country: Brazil
Consortium partner: Vayon Insurance Solutions

The project will use a mixture of channels to disseminate information on microsinsurance products, including Bradesco branches and community-based enterprises such as shops, locksmiths, hairdressers and pharmacies, using cell phone or point-of-sale technology. Challenges include small margins because of low premiums and the fragmentation of the informal sector, which makes insurance distribution difficult.

Don Juan

Project: Offering microinsurance through grocery stores
Country: Mexico

Under this project, the products to be offered through grocery stores include life, funeral expenses, asset insurance and cash for hospitalization and education costs. The first phase of the project will focus on a limited number of stores, the second on extending the project to more than 70,000 stores in urban and semi-urban areas, and the third on extending it to rural areas. A major challenge will be to integrate a distribution network that has no experience with microinsurance.

FINO Fintech Foundation

Project: Using technology-enabled banking agent distribution networks to cross-sell insurance
Country: India
Consortium partners: HDFC Ergo General Insurance Co. and M Health Ventures India Pvt. Ltd

The project aims to develop a model for distributing telemedicine and microinsurance products through an existing banking agent delivery channel for low-income households. It will use technology to reduce time and

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administrative costs and improve 'remote' agent training. Quantitative random control trials will explore whether bundling a telemedicine service increases insurance take up and retention, and reduces the cost of claims.

Fonkoze

Project: Providing insurance against catastrophes for microfinance clients
Country: Haiti

Fonkoze provides insurance coverage against natural disasters for its 50,000 microcredit clients. This project focuses on using a specially designed insurance module that links into Fonkoze's financial management software, to enable it to better manage the link between credit and insurance products by automating the registration and collection of premiums. An intensive client education programme will be implemented during the roll-out phase of the project.

GRET

Project: Refining a health insurance programme for garment sector workers
Country: Cambodia
Consortium partner: GMAC

The project will focus on improving the operational processes of a voluntary health insurance programme launched in 2009, so that the programme can become part of the government's social security provision for the formal sector. The transfer will include building a robust information system and providing staff training on technical issues such as programme monitoring, premium setting, enrolment and payment mechanisms, and authentication procedures.

Hygeia Community Health Plan

Project: Improving a health care scheme targeting market women and their families
Country: Nigeria
Consortium partner: PharmAccess Foundation

Launched in 2007, this donor-subsidized health insurance scheme has suffered from various administrative problems, including ineffective client identification, suboptimal renewals, poor quality data reporting and inadequate claims management processes. To improve operational efficiency, the project will leverage various technologies, including a biometric-based enrolment system, cell phone payments and GPS.

International Research Institute for Climate and Society (IRI)

Project: Using satellites to make index insurance scalable
Country: Ethiopia
Consortium partner: Oxfam America

IRI has worked in Ethiopia for more than a decade, building strong partnerships and a detailed knowledge of the country's climate and agriculture. The project aims to develop new methodologies to automate the verification of satellite rainfall data for a rainfall index insurance product. Index insurance is not scalable if it works only where there are rain gauges. IRI researchers currently validate rainfall satellite data manually, site by site, but this approach is not scalable and needs to be automated.

Manulife Vietnam

Project: Using cell phone technology for premium collection
Country: Vietnam
Consortium partners: Mobivi and VWU

The project targets rural women who are members of the VWU. It will pilot cell phone technology to facilitate the paperless collection and processing of premium payments in order to save time and money, reduce the number of policy lapses and improve retention. VWU representatives will be able to open an e-wallet account and send SMS messages to make premium payments.

Tata AIG

Project: Using cell phone technology for enrolment and claims settlements
Country: India

Targeted at small-scale cattle owners, the project will introduce cell phone technology into its enrolment and claims procedures for a livestock insurance product. Details and photographs of enrolled animals and information on beneficiaries will be captured on a cell phone and relayed directly to a central server for 'instant' action. Similarly, for claims settlements, photographs of an animal's ear tag with the relevant details will be transmitted by phone.

Uplift Mutuals

Project: Taking savings-financed health insurance products to mass markets
Country: India
Consortium partners: Swabhimaan and InterAide

Uplift is a community-owned risk-protection and vulnerability-reduction programme. The project will focus on designing and testing a savings-financed health insurance programme for families in the informal sector. It will also look at increasing operational efficiency through various means, including incorporating information management processes, so that the programme can be replicated with reduced transaction times and costs, and offered to a mass market.

STRATEGIC PARTNERS

Working with key stakeholders is part of the Facility's strategy to fill the gaps in its own expertise and capacity and to influence and promote lessons in the microinsurance sector. Its main strategic partners, currently, are described here.

Access to Insurance Initiative

access to insurance initiative

The founding sponsors of the Access to Insurance Initiative are IAIS, the global standard setting body for the insurance industry together with the following development agencies: BMZ, CGAP, FinMark Trust, and ILO. The Initiative emerged from the Joint Working Group, between IAIS and the Microinsurance Network which has been developing recommendations and guidelines for insurance supervisors. Now it endeavours to disseminate knowledge and build awareness of how an enabling environment can encourage innovation for financial inclusion while protecting financial stability and consumers. Within countries, the Initiative supports diagnostic studies that assess the current and potential supply and demand of microinsurance, as well as macro-level conditions that might inhibit its development. With this evidence, the Initiative facilitates stakeholder dialogue with policymakers and industry leaders to spur the development of appropriate products, delivery and consumer protection approaches for low-income clients. By supporting the development of an enabling environment for inclusive insurance, the Initiative is therefore a natural complement to the Facility's work on supporting institutions and players at the industry level.

Box 27 FACILITY JOINT MISSION PARTICIPANT HEADS ACCESS TO INSURANCE INITIATIVE

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In 2011, Henry Yan, a former Facility joint mission participant, was appointed as the new Executive Director of the Initiative. Henry is an actuary and has worked for IBM since 2004. He is an Australian of Chinese descent, but has spent most of his adult life in the UK.

"What is exciting about working in the microinsurance sector," he says, "is that we are helping to create history. In many of the areas and countries in which we work, the financial sector is in the foundation stage. We're laying the groundwork for the microinsurance industry and in some countries the entire insurance industry. These are the markets of tomorrow. Finding supervisors and training them in risk concepts, financial supervision and consumer protection are big challenges. The Initiative needs to find regulatory models that fit different microinsurance markets, demonstrate results by helping specific countries put in place policies and rules to facilitate the development of microinsurance and also train insurance supervisors. There is a lot to do, but the need is clear."

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Australian Agency for International Development (AusAID)

The Facility received a grant from AusAID to develop, over 12 months, four to five curriculum modules that will serve as a knowledge and training reference point for practitioners and trainers in the microinsurance industry. The work will initially involve mapping research output, tools and course material, identifying gaps and revising materials for teaching purposes. The Facility will then package specific topics into technical guides and training modules. The first module which was developed focuses on client value; other topics include microinsurance product pricing, partnership management, financial institutions and communicating with the market.

Bill & Melinda Gates Foundation

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy and productive lives. The Foundation's Financial Services for the Poor team believes that providing poor people with reliable access to a range of safe, affordable financial tools and services can be a powerful way to help them build healthier more financially secure lives. Financial Services for the Poor has been funding the ILO's MicroInsurance Innovation Facility since 2008, supporting their efforts to find lower-cost, high-impact insurance products and more efficient delivery channels that provide high-value services to poor clients in a financially sustainable manner for insurers.

Centre for Financial Regulation and Inclusion (Cenfri)

The Facility is keen to partner with organizations that can act as regional partners. Cenfri, a non-profit thinktank based in Cape Town, South Africa, supports financial sector development and financial inclusion through facilitating better regulation and market provision of financial services. It is working with the Facility to increase the availability of better insurance products for a greater number of low-income households in Africa, focusing on documenting current microinsurance activities, extracting and disseminating learning from them and supporting efforts to test new approaches. The Facility will also help Centfri build a microinsurance training infrastructure for Africa.

Centre for Insurance and Risk Management (CIRM)

The Facility's first strategic partnership was with the CIRM, a Round 1 Innovation Grantee. The CIRM is a non-profit thinktank focusing on innovative product design and action-research to improve the effectiveness of risk management solutions for the poor. The partnership objective is to improve the understanding and sharing of innovations and initiatives in the Indian subcontinent. The CIRM helps the Facility implement its grants programme in the region, develop research strategies and build the capacity of the microinsurance sector.

FinMark Trust

FinMark Trust, a non-profit independent trust based in Johannesburg, South Africa, aims at making financial markets work for the poor, by promoting financial inclusion and regional financial integration. FinMark Trust plays a catalytic role, driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers. The Facility collaborates with FinMark Trust to stimulate the insurance industry to invest in the low-income market. Currently, the collaboration is being implemented through support for the Microinsurance Acceleration Fund in Zambia (MAF), launched in December 2011 to provide small grants to insurance companies, cooperatives, NGOs and other microinsurance providers and partners that are investing in delivering appropriate insurance products to the low-income market in Zambia. The MAF will include a knowledge management component with the objective of disseminating lessons learned from the grantees among local, regional and international microinsurance stakeholders.

Inter-American Development Bank (IADB)

In recent years the IADB, through its Multilateral Investment Fund (MIF), has been one of the most important players in microinsurance in Latin America. In March 2011, the Facility and the MIF jointly organized a microinsurance conference in Colombia that brought together Facility grantees in Latin America, various MIF projects and additional players in the microinsurance market in Colombia. In 2011, the Facility and the MIF are exploring a collaboration based on four main components: extracting lessons from microinsurance projects funded by the MIF; analyzing and disseminating lessons for improved action; grant making; and capacity building and training.

Microinsurance Learning and Knowledge (MILK) Project

MILK is a 3-year project launched by the MicroInsurance Centre in 2011 to work closely with the Facility on researching two core microinsurance issues: client value and business case. The Facility is focusing on addressing these issues through lessons learned from its grantees and its thematic studies, while the MILK project will address the issues through in-depth studies of the business case of key players in the value chain and through research with clients on the added value of insurance over other risk management options. In 2013 the Facility and MILK teams will write combined synthesis papers on their research findings.

Microinsurance Network

The Microinsurance Network, formerly the CGAP Working Group on Microinsurance, serves as an industry association and helps the Facility understand the priorities and preferences of the sector. The Microinsurance Network and the Facility work together and reinforce each other's efforts to raise awareness of microinsurance, to support capacity development in the sector and to produce and share actionable knowledge. The Facility participates in several of the Network's Working Groups, which contribute to the Facility's development of knowledge products. In 2011 these products included: a webinar on 'New Frontiers in Microinsurance Distribution', which focused on the strengths and weaknesses of distribution channels; and a discussion forum on client value, which explored the dimensions and applicability of PACE, the Facility's assessment tool for analyzing the client value of microinsurance products.

Munich Re Foundation

The Munich Re Foundation stimulates dialogue and research on new ways to support risk prevention and risk management. The annual International Microinsurance Conference, which it co-organizes with the Microinsurance Network, offers a great opportunity for practitioners and academics to exchange and disseminate knowledge on microinsurance. The Facility collaborates with the Foundation in setting the agenda for the conference (as well in organizing its annual Innovation Forum prior to the conference; see Box 28) and has received its support for the publication of *Protecting the Poor: A Microinsurance Compendium* (Volume 1 published in 2006; Volume 2 scheduled to be published in 2012).

United Nations Capital Development Fund (UNCDF) / United Nations Development Programme (UNDP)

The Facility's Fellowship Programme forms the basis of its collaboration with the UNCDF and UNDP. Three Facility Fellows are working in the Pacific region, two of them with the Pacific Financial Inclusion Programme (PFIP) in Fiji and Papua New Guinea and one with the Inclusive Finance for the Underserved (INFUSE) project in Timor Leste. Both projects are funded in part by the UNCDF, and PFIP operates out of the UNDP Pacific Centre. In 2011, a regional training workshop on financial performance indicators was organized by PFIP and INFUSE in collaboration with the Facility and the Microinsurance Network.

Z Zurich Foundation

Zurich Financial Services Group is an insurance-based financial services provider with a global network of subsidiaries and offices, serving customers in more than 170 countries. The mission of its Z Zurich Foundation is to help individuals and communities understand and manage risk, leveraging the compagny's core strengths as an insurer. The Foundation donated just over US$ 3 million exclusively for funding the Round 5 Innovation Grants process.

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Box 28 MICROINSURANCE INNOVATION FORUM

The Facility organized the 4th Microinsurance Innovation Forum on 7 November, during the 7th International Microinsurance Conference in Rio de Janeiro, Brazil.

An invitation-only event for the Facility's grantees from all five rounds, as well as capacity-building partners and consultants, Fellow and research grantees, the Forum opened with an *Emerging Insights* wall exhibit (see Table 1, pages 49-50). This gave the participants the opportunity to meet people working on various microinsurance projects supported by the Facility and to get an idea of the lessons that organizations and individuals are learning from the projects.

This was followed by a plenary session on the main theme of the Forum – 'Technology: catalyst for the efficient scaling up of microinsurance'. The session highlighted the use of technologies for operational efficiency and for scaling up product availability. Through a video, it provided an overview of these technologies, the challenges in using them and a framework for the discussions in the subsequent break-out sessions. The break-out session topics were: technologies enabling distribution; technologies for back-office integration; and technologies for claims handling.

In the afternoon there were four experience exchange sessions. The topics were: health making public-private partnerships work; consumer education from the insurers' perspective: cost or investment?; and aspects of claims management.

The day ended with a game – 'Play your way to success' – intended to show the advantages of pilot testing microinsurance products.

A summary of the sessions is available in the Knowledge Events section of the website.

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Participants in the 2011 Microinsurance Innovation Forum held in Rio de Janeiro, Brazil

ANNEX 2: KNOWLEDGE CAPTURE AND DISSEMINATION

In 2011, the Facility's Knowledge Team continued to develop and test its knowledge products, included a dissemination strategy to complement its knowledge management strategy and set up a monitoring and evaluation component to analyse how and to what extent its stakeholders access and use the Facility's knowledge products.

The team's objectives were as follows:

1. Knowledge generation and extraction
   - continue to diversify and expand on lessons
   - extract actionable lessons relevant to microinsurance practitioners
   - identify knowledge gaps and continue to analyse lessons along key thematic areas of microinsurance
   - provide evidence-based answers on client value and business case issues
2. Knowledge products
   - gain a better understanding of stakeholder needs
   - develop knowledge products that serve target group variety of learning styles
   - revise activities to reflect more emphasis on capacity building
3. Knowledge dissemination
   - identify effective dissemination channels
   - increase access to knowledge products
4. Monitoring and evaluation
   - monitor and evaluate the performance of knowledge products and their impact

In this Annex, we provide details on the Facility's knowledge products in 2011, including information on the new webinar series and Emerging Insights, a series of briefs on microinsurance.

KNOWLEDGE PRODUCTS, 2011

To read or download all the Facility's publications produced since 2008, please go to the Knowledge Centre

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A. Smith, H. Smit and D. Chamberlain. *Beyond Sales: New Frontiers in Microinsurance Distribution*. Microinsurance Paper 8, ILO, 2011

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J. Angove and T. Nashelo. *A Business Case for Microinsurance: An Analysis of the Proftability of Microinsurance for Five Insurance Companies*. Microinsurance Paper 11, ILO, 2011

M. Matul, C. Tatin-Jaleran and E. Kelly. *Improving Client Value from Microinsurance: Insights from India, Kenya and the Philippines*. Microinsurance Paper 12, ILO, 2011

P. Le Roy and J. Holtz. *Third-party Payment Mechanisms in Health Microinsurance*. Microinsurance Paper 13, ILO, 2011

Briefing Notes

Formalizing the Informal Insurance Inherent in Migration. Briefing Note 6, ILO, January 2011

Beyond Sales: New Frontiers in Microinsurance Distribution. Briefing Note 7, ILO, March 2011

Improving Credit Life Microinsurance. Briefing Note 8, ILO, March 2011

A Business Case for Microinsurance. Briefing Note 9, ILO, June 2011

Improving Client Value from Microinsurance: Insights from India, Kenya and the Philippines. Briefing Note 10, ILO, September 2011

Third-party Payment Mechanisms in Health Microinsurance. Briefing Note 11, ILO, October 2011

Research Papers

Marketing Complex Financial Products in Emerging Markets: Evidence from Rainfall Insurance in India
Shawn Cole (Harvard Business School), Sarthak Gaurav (IGIDR), Jeremy Tobacman (Wharton School). Research Paper 1

Health Care Utilization in Rural Senegal: The Facts Before the Extension of Health Insurance to Farmers
Aurélia Lépine (University of Otago), Alexis Le Nestour (University of Otago). Research Paper 2

The Economic Value of the Willingness to Pay for a Community-Based Prepayment Scheme in Rural Cameroon
Hermann Pythagore Pierre Donfouet (University of Yaounde II), Ephias M. Makaudze (University of Western Cape). Research Paper 3

Microinsurance Product Design: Consumer Preferences in Kenya
Job Harms (VU University Amsterdam). Research Paper 4

Microinsurance Utilization in Nicaragua: A Report on the Effects on Children, Retention, and Health Claims
Anne Fitzpatrick (University of Michigan), Barbara Magnoni (EA Consultants), Rebecca L.Thorton (University of Michigan). Research Paper 5

Comprehensive Risk Cover through Remote Sensing Techniques in Agriculture Insurance for Developing Countries: A Pilot Project
Mangesh Patankar (CIRM). Research Paper 6

Establishing an Index Insurance Triggers for Crop Loss in Northern Ghana
The Katie School of Insurance. Research Paper 7

Social Networks and Insurance Take-Up: Evidence from a Randomized Experiment in China
Jing Cai, Alain de Janvry and Elisabeth Sadoulet (University of California, Berkeley). Research Paper 8

Ciblage des Pauvres dans le Financement Communautaire de Santé au Cameroun (in French only)
Fondo Sikod and Ibrahim Abba (Universtity of Yaounde II). Research Paper 9

Videos

To view all the Facility's videos produced since 2008, please go to the Facility's YouTube channel

Building the right regulatory environment to upscale microinsurance (*Henry Yan, Access to Insurance Initiative)*

Delivering micro health insurance in Pakistan through a partnership model *(Asher Hasan, Naya Jeevan)*

Health microinsurance schemes need to go beyond insurance (*Joseph Tayag, former Fellow*)

How can health microinsurance complement national social security scheme in Mexico (*Annabelle Sulmont, independent consultant*)

Impact of product choices on client uptake *(Jonathan Morduch, Financial Access Initiative)*

Implementing RFID tags to reduce moral hazard in livestock insurance *(Karat Gopinath, IFFCO-Tokio)*

Insurance education on air, the case of a radio campaign in Kenya *(Liz McGuinness, Microfinance Opportunities)*

Insurance for low-income farmers in México *(Isabel Cruz, AMUCSS)*

Market research in Papua New Guinea *(Oliver Ullrich, Fellow)*

Mutuals in Colombia *(Monica Arroyabe, Aseguradora Solidaria)*

Providing health microinsurance in Jordan *(Fadi Al-Tawabin, MicroFund for Women)*

Providing to Bengladeshi borrowers a mandatory composite product *(Sawsan Eskander, Sajida Foundation)*

Reaching out to low-income clients through utility companies *(María Eugenia Pacheco Bettín, MAPFRE)*

Responding to catastrophes through insurance *(Tyler Tappendorf, Fonkoze)*

Setting up an inclusive insurance education campaign *(Brenda Wandera, ILRI)*

The experience of Bradesco in Brazil *(Eugenio Velasques, Bradesco)*

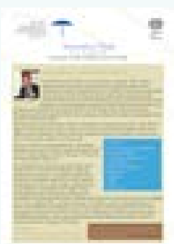
The role actuaries should play to scale up microinsurance *(Eamon Kelly, independent consultant)*

Tips to select your distribution partner *(Peter Gross, MicroEnsure)*

Using technology to deliver primary health care microinsurance *(G.B. Bommakanti, Care Foundation)*

Using technology to prevent fraud and reduce claim processing period *(M. Ravinder, Tata AIG)*

When banks offer insurance policies *(Fabio Segura Campos, La Equidad Seguros)*



Innovation Flash

To view all issues of the Facility's newsletter produced since 2008, please go to the website

The Facility's newsletter, *Innovation Flash*, is published every 2-3 months. By the end of 2011 there had been 11 issues of the newsletter.

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Media articles

In 2011 the Facility contributed to the publication of more than 12 articles related to microinsurance in a variety of media outlets around the world. These articles included:

WHAT DO CLIENTS REALLY WANT FROM INSURANCE?

Michal Matul and Aparna Dalal (Microinsurance Innovation Facility); in CGAP Microfinance Blog, November 2011

Understanding client needs enables insurers to incorporate a client-focused perspective into their decision-making process so that the client value of their products and processes can be improved. Mining existing data to better understand client needs is an under-used practice in microinsurance. Claims analysis is a natural place to find out more about clients, but is not always easy. Significant investment is needed to collect the right data and monitor their quality.

MOVING BEYOND LIFE INSURANCE

Craig Churchill, Sarah Bel, Aparna Dalal and David Saunders (Microinsurance Innovation Facility); published in the Special Edition of Microfinance Focus *for the MicroCredit Summit, November 2011*

The vast majority of microinsurance programmes start with offering some sort of credit life coverage, which stands as the most common product offered to low-income households. It is a logical starting point because it is easy for MFIs and insurers to introduce. From a client value perspective, however, credit life does not bring enough value and there is great scope for improvement. A way to increase credit life value for low-income people is to expand coverage to include additional risks.

MICROINSURANCE IN MONGOLIA: A NOMADIC PATH

Kelly Rendek (Fellow, Microinsurance Innovation Facility); published in The Actuary, *April 2011*

Kelly Rendek spent a year as a Facility Fellow in Mongolia, providing technical assistance to Tenger Insurance (formerly PGI), a Facility grantee. In partnership with a Mongolian microfinance institution, Xac Bank, Tenger has developed a project proposal to pilot two microinsurance products – personal accident insurance and health insurance – and sell them through the Xac Bank branches, mostly to informal workers. This article provides a glimpse into Kelly Rendek's experience in Mongolia, the landscape of microinsurance in that country and the challenges and successes of transferring expertise.

SAVINGS AND INSURANCE: A POTENTIAL NICHE FOR MICROINSURERS' INVESTMENT

Sarah Bel and Lauren Peterson (Microinsurance Innovation Facility) and Rob Rusconi (Tres Consulting); published in Microinsurance Focus, Asian Insurance Review, *July 2011*

Microinsurance practitioners are paying increasing attention to ways in which clients might be encouraged to combine savings with insurance. Although the products might appear simple to clients, they are complex to manage. This article presents preliminary lessons on how to design product features that best serve the interests of both providers and clients.

Other articles published in 2011 included:

Protecting the working poor, *Insurance Day*, January

Huge, untapped market in microinsurance, *Thompson`s World Insurance News*, January

Microinsurance and technology, *Atlas Magazine*, February

Beyond credit life, *Middle East Insurance Review*, February

Technology is key to huge microinsurance growth opportunity, *Insurance & Technology*, March

Sharing microinsurance providers' good practices to strengthen the sector: the experience of ICICI Prudential Life Insurance in India, *Microinsurance Matters* (MicroEnsure magazine), May

Microinsurance: a solution to all ills? *The Post Magazine*, June

Solidarity and protection beyond borders, *Prosper* (ICMIF magazine), August

Knowledge management: how microinsurance can best benefit low-income households, *ILO Website*, November

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THEMATIC PAGES

To read all the Facility's Thematic pages produced since 2008, please go to the Knowledge Centre.

The Facility's Thematic Pages focus on knowledge gathered on a specific theme, drawing mainly on the thematic studies conducted by the Facility. In 2011, the standard Thematic Pages structure was changed to include lessons from grantees, as well as from thematic studies and research papers. This was done in order to highlight lessons from Innovation Grants and to change the central focus of the page, with lessons emerging from Facilty activities on a particular theme taking precedence over lessons from other sources.

By the end of 2011, there were eight Thematic Pages on the Facility's Knowledge Management Portal. These included five new pages added in 2011, focusing on:

- *Distribution:* The page explores new distribution models and partnerships being used by insurers to achieve scale and reach clients more cost-effectively
- *Sales Force Development:* presents strategies and tools that can be used to improve the performance of a microinsurance sales force. The page presents lessons for each stage of the sales force development value chain: recruiting, training, incentivizing and monitoring
- *Proving Client Value:* focuses on understanding the impact of microinsurance for low-income households
- *Improving Client Value:* focuses on improving the value proposition of microinsurance for low-income households
- *Business Viability:* examines the factors likely to make a microinsurance scheme viable

THE WEBINAR SERIES

The Facility launched its webinar series in May. Three webinars were organized during the year, and all of them can be viewed on the Facility's YouTube channel.

The first webinar was entitled 'Client value from microinsurance: insights from India, Kenya and the Philippines' and was held on 25 May. There were more than 400 registered participants from 68 countries. The webinar introduced a tool for assessing the four dimensions of client value – Product, Access, Cost, Experience (PACE) – and demonstrated how this tool could be used as a starting point for enhancing client value. Via the Discussion Forum on the Facility's Knowledge Management Portal, discussions on the topic continued for 2 weeks after the webinar, with more than 70 contributions. These contributions have been synthesized into a Thematic Page.

The second webinar, co-organized with the Microinsurance Network, was held on 13 July. It focused on 'New frontiers in microinsurance distribution' and looked at the strengths and weaknesses of various distribution channels and how to make them work more effectively from both the insurer and client perspectives. It drew partly on the Microinsurance Paper 8, compiled by Cenfri on alternative distribution channels. There were 410 registered participants from 72 countries.

The third webinar was held on 24 November and focused on 'The business viability of microinsurance'. It looked into factors that affect the profitability of microinsurance programmes, including business models and distribution and marketing strategies. There were 319 registered participants from 67 countries.

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Table 1 *EMERGING INSIGHTS*, 2011

Emerging Insights is a series of briefs produced by the Facility, providing bite-sized lessons from microinsurance practitioners. The topics covered in 2011 are listed here, with the theme addressed and the source of the material.

All issues of *Emerging Insights* since the series was launched in 2010 are available on the Facility's Knowledge Centre.

ISSUE No.	
5	With advancements in cell phone telecommunications, call centres can play a major role in educating and servicing clients (Theme: Business processes and IT; Source: MNYL, India)
6	Personalized attention and education are key to building trust and stimulating demand (Theme: Demand; Source: Seguros Futuro)
7	Financial education can influence consumer behaviour (Theme: Consumer education; Source: Research Paper 1: Marketing complex financial products in emerging markets: evidence from rainfall insurance in India)
8	Involving the community during the product development stage builds confidence and encourages members to self-regulate (Theme: Business processes, product design; Source: Palmyrah Workers' Development Society [PWDS], India)
9	Insured are more likely to access health care than the uninsured, especially among the poorest (Theme: Client value; Source: Research Paper 2: Health care utilization in rural Senegal: the facts before the extension of health insurance to farmers)
10	Segmenting claims data can provide insights into interventions to reduce claim costs (Theme: Claims analysis; Source: VimoSEWA, India)
11	A properly structured pilot can enable a more successful product launch (Theme: Pilot testing; Source: Microfund for Women, and Women's World Banking, Jordan)
12	Prescription for improved health claims analysis: focus on diagnosis (Theme: Claims analysis; Source: VimoSEWA, India)
13	Greater community involvement = greater willingness-to-pay for community-based health insurance (Theme: Client value; Source: Research Paper 3: The economic value of the willingness to pay for a community-based prepayment scheme in rural cameroon)
14	Policy definitions can have unintended consequences (Theme: Product definition; Source: Swayam Shiskan Prayog [SSP])
15	Top-ups made easy: the case for scratch cards (Theme: Technology; Source: MNYL, India)
16	Households indicate a preference for health insurance policies with rebates and no deductibles (Theme: Client value; Source: Research Paper 4: Microinsurance product design: consumer preferences in Kenya)
17	Issuing policies online in remote service centres can improve customer service and reduce costs (Theme: Business processes; Source: ICICI Prudential, India)
18	Why targeting migrants, and not their families, makes sense (Theme: Organizational strategy – marketing; Source: Briefing Note 6 - Formalizing the informal insurance inherent in migration)
19	Improving client value through better access to health care (Theme: Client value; Source: Uplift Mutuals, India)
20	A motivated distribution channel is good for the insurer… and the client (Theme: Organizational strategy – marketing; Source: Microinsurance Paper 8: Beyond Sales: New frontiers in microinsurance distribution)
21	Distribution channels can focus more on claims (Theme: Organizational strategy – marketing; Source: Microinsurance Paper 8: Beyond Sales: New Frontiers in microinsurance distribution)

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ISSUE No.	
22	Need to find a partner: go virtual (Theme: Distribution strategy; Source: Webinar on New frontiers in microinsurance distribution)
23	Damage control: engage community support (Theme: Organizational strategy – marketing; Source: International Livestock Research Institute [ILRI], Kenya)
24	Insurance for those we want to 'protect' (Theme: Demand - purchasing behaviour; Source: Seguros Futuro, El Salvador)
25	There's more to credit life and funeral than credit life and funeral (Theme: Client Value; Source: Microinsurance Paper 9 on credit life and Microinsurance Paper 10 on funeral insurance)
26	Product diversification to improve outreach (Theme: Product design; Source: CIDR, Guinea)
27	Top-up now! Using reminders to promote contributions to savings-linked insurance products (Theme: Demand; Source: MNYL, India)
28	Achieving sustainable microinsurance operations is an iterative process (Theme: Performance measurement; Source: Microinsurance Paper 11 on the business case for microinsurance)
29	Scale through compulsory enrolment, but what about client value? (Theme: Balancing client value and business viability; Source: Microinsurance Paper 11 on the business case for microinsurance and Microinsurance Paper 12 on client value)
30	Purchase decisions are influenced by communities (Theme: Purchasing behaviour; Source: Old Mutual, South Africa)

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ANNEX 3: PROFESSIONAL DEVELOPMENT

The primary objective of the Facility is to increase the availability of better insurance products for a greater number of low-income households. To this end, it works to increase the success of the endeavors of institutional microinsurance providers by improving their capacity and that of the individual practitioners who support them. The Facility undertakes three main types of capacity-building activities:

- *Training and curriculum development:* The Facility organizes / co-organizes a set of training events each year on a range of microinsurance issues. It is now also developing training materials that reflect the latest innovations in microinsurance and will enable practitioners to learn from the successes and failures of those in the vanguard of the microinsurance sector. Implemented in three phases, it will create a comprehensive curriculum by combining existing and new materials and then packaging and delivering them to various audiences.

- *Professional development:* For microinsurance practitioners, as well as current and prospective microinsurance consultants, the Facility offers a range of learning activities to those who meet the criteria for its support. The emphasis is on institutions and individuals who are based in developing countries and intend to contribute to the development of microinsurance in their regions over the long term. The learning activities include: workshops; access to mentors; fellowships and joint missions; and access to microinsurance tools and information.

- *Microinsurance project interventions:* The Facility provides access to various capacity-building interventions that could help microinsurance projects improve their performance. These interventions include: access to the registry of consultants who can serve as mentors or provide advice; small grants to purchase external expertise; Fellows to help build capacity; workshops and other knowledge-exchange opportunities; and access to tools for developing and delivering microinsurance products.

In this Annex, we describe the training events in which the Facility participated in and the 2011 Fellowship Programme. For information on the curriculum development work, see Box 5.

TRAINING

The Facility was involved in the organization of six training events in 2011.

Lusaka, Zambia: 18-19 May

The Facility and FinMark Trust co-organized a 2-day microinsurance training programme in Zambia, tagretted mainly at insurers. The course focused on microinsurance product design and distribution, and included case studies on market research in South Africa, agricultural index insurance, challenges in designing insurance products for low-income markets, and the role of technology.

Frankfurt, Germany: 27 June

Based on a 2-day 'Microinsurance Business Plan' training course developed by the Capacity Building Working Group of the Microinsurance Network, this 3-hour introductory workshop (funded by GIZ) gave participants an overview of the whole course. It was targeted at project managers and senior staff in organizations providing microinsurance. The workshop sought to create awareness about the importance of developing a systematic microinsurance business plan; the lack of such plans has frequently been reported as a major obstacle on developing and monitoring microinsurance projects. The training used interactive teaching methodologies including group work, case studies, the application of a set of tools and experience-sharing exercises and discussions.

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Cape Town, South Africa: 26-29 July

This training event focused on ‘Microinsurance Strategies for African Markets’ and was organized by Cenfri and the University of Stellenbosch’s Business School Executive Development (USB-ED) programme. Attended by 30 participants from Kenya, Namibia, South Africa, Tanzania, Uganda and Zambia, it was designed to provide participants – practitioners and regulators – with a good understanding of microinsurance issues and business strategies for African markets. This programme will be repeated on an open enrolment basis annually, and in-house training sessions will be hosted intermittently for retailers and insurance companies.

Port Vila, Vanuatu: 27-29 July

Three of the Facility’s Fellows were involved in this training event run by the Pacific Financial Inclusion Programme (PFIP). On the first day, the event covered microfinance trends, developments, strategies and distribution ; on the second day, it covered microfinance in Vanuatu and how it affects women; the final day was devoted to microinsurance. The event brought together representatives from microfinance institutions, development partners, commercial and central banks, learning institutions, government agencies and private companies throughout the Pacific region.

Johannesburg, South Africa: 11-14 October

In collaboration with the Gordon Institute of Business Science (GIBS), the Facilty co-organized a 4-day training course on ‘Building business in low-income markets – The case of insurance: Financial models for protecting the poor’. The key themes were: contextualisation of Africa’s low-income environment; role of consumer education in microinsurance; partnerships and partnership design; product design and distribution channels; role of technology in microinsurance; and microinsurance products, citing case studies on health insurance, agricultural insurance and index insurance. The participants included senior-level executives and decision-makers in insurance and medical health schemes, as well as sales and marketing professionals interested in low-income mass-market strategies.

Rio de Janeiro, Brazil: 4-5 November

The Facility conducted a 2-day training course on client value, focusing on using the client value assessment tool, PACE, to improve products and processes. The course was attended by 21 insurers and consultants, and it enabled the Facility to test and finalize the client value module so that it can be replicated.

Rio de Janeiro, Brazil: 8 November

The Facility conducted a 2-day ‘Microinsurance Business Plan’ training course, the same course as the one in Frankfurt in June and again co-organized by GIZ and the Microinsurance Network. There were 21 participants, mainly from Africa, Latin America and Europe. Kelly Rendek and two Facility Fellows, Barry Maher (Fiji) and Carol Stewart (Timor-Leste), co-facilitated the course.

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FELLOWSHIPS

The Facility created the Microinsurance Fellowship Programme in 2009 with the aim of increasing the number of qualified microinsurance specialists. The programme provides a unique opportunity for people with an insurance background to gain hands-on experience in microinsurance and learn to adapt their expertise to the low-income market. Fellows are seconded to a host organization and are allocated a mentor (see Box 29). To date, 26 people have been awarded Facility Fellowships.

In 2011, the process of selecting a first batch of Fellows was completed in July. Brief profiles of those selected, together with information on their host organization and mentor, are given in Table 2.

In November, the Facility selected four more Fellows for placements in Africa; they will start working with their host organizations in 2012. The placements are with: Kenya Orient Insurance Limited (KOIL), Kenya; Star Microinsurance Services Limited, Ghana; Cenfri, South Africa; and Hygeia Community Health Plan Ltd, Nigeria.

Box 29 FELLOWSHIP MENTORING


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Daniel Osgood

The Facility works with a wide range of mentors who provide guidance to Fellows selected through the Fellowship Programme. Among these mentors is Daniel Osgood, an Associate Research Scientist at the International Research Institute for Climate and Society (IRI) at Columbia University.

Daniel has been involved in the design and evaluation of index insurance pilots in several countries, including Honduras, Kenya, Malawi, Nicaragua and Tanzania. His research contributions include work on: the use of probabilistic information in decision-making; the value of information in negotiation and markets; how uncertainty, risk, and information affect negotiations between players; and index insurance climate information and economic development. His work seeks to use advances in seasonal climate information and financial mechanisms in order to improve livelihoods in developing countries. His PhD in Agricultural and Resource Economics at the University of California at Berkeley addressed the use of weather information in irrigated agriculture.

He considers that the main responsibility of a microinsurance mentor is to pass on experience to the next generation and give guidance on how to work more effectively. The role of a mentor is to give Fellows the confidence to translate technical skills into practical applications and encourage them to engage with difficult design questions that can benefit the project.

Among those mentored by Daniel in 2011 was Mangesh Patankar. Mangesh had a Fellowship placement at the Philippine Crop Insurance Corporation. He worked on client value analysis, supply analysis and demand analysis in the first half of the Fellowship, and then on designing of products, processes and training. He found Daniel to be insightful, responsive and very willing to share knowledge, publications and online training. His report concluded:"Overall, the mentorship has helped the Fellow immensely in understanding the modern approaches taken in the index insurance product design field. Although the mentor is from an academic background, the guidance always focused on the pragmatic aspects."

Table 2 PROFILES OF FELLOWSHIPS STARTING IN 2011

From left to right: three Fellows based in the Pacific – Oliver Ullrich (Papua New Guinea), Barry Maher (Fiji) and Carol Stewart (Timor Leste) – and Josh Ling (short-term assistant for capacity-building activities)

NAME	BACKGROUND	HOST	MENTOR	LEARNING OBJECTIVES
Barry Maher (Ireland)	Actuarial, insurance and statistical experience, including consulting, underwriting and capital management	UNCDF Pacific Financial Inclusion Programme, Fiji	Kelly Rendek (Canada)	Understand role of financial inclusion in addressing challenges faced by poor in Fiji/Pacific and the needs of all stakeholders in the microinsurance value-chain; evaluate products and delivery mechanisms in terms of local context; identify role of technology in improving reach and scalability of microinsurance products in the Pacific
Oliver Ullrich (Germany)	Economics, international development and public policy experience; worked as executive assistant to the COO, Allianz Banking Services	UNCDF Pacific Financial Inclusion Programme, Papua New Guinea	Kelly Rendek (Canada)	Understand role of financial inclusion in addressing challenges faced by the poor in PNG/Pacific; build a contextualized framework for evaluating products and delivery mechanisms; identify role of technology in improving reach and scalability of microinsurance products in PNG/Pacific
Carol Stewart (USA)	Engineering analysis, project management, information and communications technology, and international development; worked with MicroEnsure Tanzania	UNCDF INFUSE Programme, Timor Leste	John Wipf (Canada)	Understand role of financial inclusion in addressing challenges faced by the poor in the Pacific; build a contextualized framework for evaluating products and delivery mechanisms; build competence in facilitating partner formation and dividing responsibilities to maximize sustainability, client satisfaction and responsiveness, and minimize operational cost
Agrotosh Mookerjee (UK)	Qualified actuary with experience in life and general insurance, statistical and financial modeling, and capital risk management	SAJIDA Foundation, Bangladesh	John Wipf (Canada)	Learn how to determine client value in a microinsurance programme; understand the various stages of a microinsurance programme – planning, implementation, evaluation; learn to communicate with various stakeholders, both internal and external
Josephine Mukiibi (Uganda)	PhD in agriculture and plant sciences; completed a Fellowship in Uganda focusing on feasibility of weather index insurance (WII)	SANASA, Sri Lanka	Pranav Prashad (India)	Learn about WII product design for different crops using various parameters; understand the reinsurance process; test contracts with farmers; training staff of product distributors responsible for WII product; marketing the product and monitor it during the contract period or planting season

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NAME	BACKGROUND	HOST	MENTOR	LEARNING OBJECTIVES
Letitia Gonçalves (Brazil)	Academic background in law, business and international development; worked for Bradesco Seguros and had a UNDP internship in Costa Rica	Aseguradora Rural, Guatemala	Derek Poulton (USA)	Understand implementation of a health insurance programme; gain insight into developing medical networks for low-income people and how different products can be better integrated to protect these people; learn about communicating and collaborating with various stakeholders; learn how to design efficient, innovative and sustainable microinsurance programmes
Patricia Rojas (Bolivia)	Financial services and banks' microinsurance product development, sales and marketing, and linking these into microfinance products, including credit and savings	INISER, Nicaragua	Clémence Tatin-Jaleran (France)	Explore market analysis techniques and tools that can be applied to different market segments; leanr about implementation and operational processes for diverse products and organizations; gain insight into sales strategies and channel identification; develop gender-sensitive microinsurance programmes

ANNEX 4: FACILITY TEAM

The Facility team expanded during 2011, in line with the implementation of the knowledge management (KM) strategy and the growth in regional activities. Aparna Dalal joined the team in January to support the KM activities. Her tasks include managing the thematic studies and supporting lesson extraction and dissemination through *Emerging Insights* and Briefing Notes. She previously led the microinsurance work at the Financial Access Initiative, a research consortium at New York University. Peter Wrede joined the Facility as a Microinsurance Officer in August. He had worked in the insurance and reinsurance sector for 18 years before joining in the Aga Khan Agency for Microfinance in 2007. He serves as the Facility's focal point for Asia and supports the Facility's work in Latin America. He also helps with thematic studies and curriculum development and with developing the Fellowship Programme.

Craig Churchill
Team Leader

Jeanna Holtz
Chief Project Manager

Sarah Bel
Communications and Public Information Officer

Aparna Dalal
Consultant to Knowledge Team

Béatrice Guillemain
Project Assistant

Aida Lindmeier
Project Assistant

Michal Matul
Senior Research Officer

Caroline Phily
Microinsurance Officer, Africa

Pranav Prashad
Microinsurance Officer, India

Miguel Solana
Technical Officer, Latin America

Jasmin Suministrado
Knowledge Officer

Peter Wrede
Microinsurance Officer

Mary Yang
Capacity-building Officer

Yoseph Aseffa
Chief Project Advisor (based in Ethiopia)

The short-term assistants and interns who worked with the Facility in 2011 were:

- Andrew Douglas (Australia): joined the team in December, supporting outreach activities, developing a new contact management system, and editing publications
- Josh Ling (Australia): joined the team in April, working on identifying and developing microinsurance curriculum material, co-authoring a thematic paper, overseeing the Fellowship Programme and helping to organize trainings and other capacity building activities
- Lauren Peterson (USA): worked with the team from January to September, editing publications, supporting knowledge extraction and consolidation, and assisting with the compilation and editing of Volume 2 of the *Microinsurance Compendium*
- David Saunders (USA): worked with the team from June to December, editing publications, supporting knowledge consolidation, promoting lessons and assisting with the compilation and editing of Volume 2 of the *Microinsurance Compendium*

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The Facility team: (back row, left to right) Aida Lindmeier, Craig Churchill, Andrew Douglas, Sarah Bel, Josh Ling, Pranav Prashad, Peter Wrede, Michal Matul, David Saunders; (front row, left to right) Jasmin Suministrado, Caroline Phily, Beatrice Guillemain, Jeanna Holtz, Miguel Solana. Top insets: (left to right) Aparna Dalal, Mary Yang.

ACRONYMS AND ABBREVIATIONS

AIC	Alternative Insurance Company
AIG	American International Group
AIO	African Insurance Organization
AKI	Association of Kenya Insurers
AMUCSS	Asociación Mexicana de Uniones de Crédito del Sector Social
AusAID	Australian Government Overseas Aid Program
BMZ	Bundesministerium Für Wirtschaftliche Zusammenarbeit
BRITAK	British-American Insurance Company
CARD MRI	Center for Agriculture and Rural Development Mutually Reinforcing Institutions
Cenfri	Centre for Financial Regulation and Inclusion
CERMES	Centre de recherche médecine, sciences, santé et société
CGAP	Consultative Group to Assist the Poor
CIC	Cooperative Insurance Company
CIDR	Centre International de Développement et de Recherche
CIRM	Centre for Insurance and Risk Management
CSR	corporate social responsibility
DFID	UK Department for International Development
DID	Développement international Desjardins
EU	European Union
EUDN	European Development Research Network
FANAF	Fédération des Sociétés d'Assurances de Droit National Africaines
FASECOLDA	Federación de Aseguradores Colombianos
FFH	Freedom from Hunger
FICCO	First Community Cooperative
FIDES	Financial Systems Development Services AG
FINO	Financial Inclusion Network & Operations
GIBS	Gordon Institute of Business Science
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GMAC	Garment Manufacturers' Association of Cambodia
GPRS	General Packet Radio Services
HIP	Health Insurance Project
IADB	Inter-American Development Bank
IAIS	International Association of Insurance Supervisors
ICARD	International Center for Agricultural and Rural Development
IFC	International Finance Corporation
IFFCO	Indian Farmers Fertilizer Cooperative
IGIDR	Indira Gandhi Institute of Development Research
ILO	International Labour Organization
ILRI	International Livestock Research Institute
INFUSE	Inclusive Finance for the Underserved
INISER	Instituto Nicaragüense de Seguros y Reaseguros

IRI	International Research Institute for Climate and Society
ITGI	IFFCO-Tokio General Insurance
MAF	Microinsurance Acceleration Facility
MAPFRE	Mutualidad Agrupación Propietarios Fincas Rústicas de España
MFI	Microfinance institution
MFO	MicroFinance Opportunity
MFW	MicroFund for Women
MIF	Multilateral Investment Fund
MILK	Microinsurance Learning and Knowledge
MNYL	Max New York Life
NGO	Non-governmental organization
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
PACE	Product, Access, Cost, Experience
PFIP	Pacific Financial Inclusion Programme
PGI	Prime General Daagtaal Insurance
PICC	People's Insurance Company of China
PPP	Public-private partnership
PWDS	Palmyrah Workers' Development Society
RBAP	Rural Bankers Association Philippines
RFID	Radio Frequency Identification
RGSSBY	Rajiv Gandhi Shilpi Swasthya Bima Yojana
RSBY	Rashtriya Swastya Bima Yojana
SBI	Standard Bank of India
SCC	Swedish Cooperative Centre
SEWA	Self-Employed Women's Association
SICL	Sanasa Insurance Company Ltd
SSP	Swayam Shikshan Prayog
UAB	Union des Assurances du Burkina Vie
UMSGF	Union des Mutuelles de Santé de Guinée Forestière
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UTM	Technical Union of Mutual Schemes
VWU	Vietnam Women's Union
WRMS	Weather Risk Management Services
WSIS	World Summit on the Information Society
WWB	Women's World Banking

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International
Labour
Office

This is the fourth Annual Report of the Microinsurance Innovation Facility, launched in 2008 by the International Labour Organization (ILO) with the support of the Bill & Melinda Gates Foundation.

Microinsurance is a mechanism aimed at protecting poor people against risks – such as accidents, illnesses, death in the family, natural disasters and property losses – in exchange for insurance premium payments tailored to their preferences and capacity to pay.

ISBN 978-92-2-125898-8