

Microinsurance Trends

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A member of the

micro
insurance
network

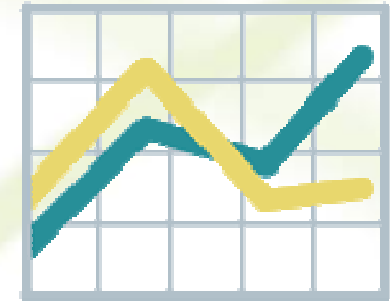


Various hats

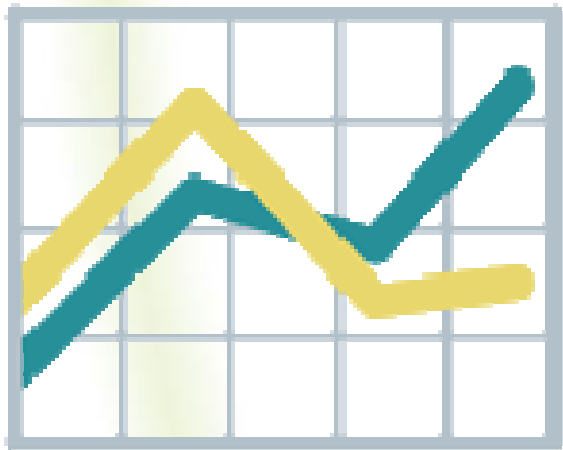


Eight microinsurance trends

1. Microinsurance is growing rapidly
2. Some insurance companies are interested in reaching new markets, including low-income households
3. Greater variety of distribution channels are being used
4. Product innovations are taking place
5. Experimentation with consumer education tools and methodologies is beginning
6. Limitations of the market approach – scope for PPPs
7. Policymakers, regulators are showing a greater interest
8. Recognition that most products do not provide the poor with particularly good value



1) Microinsurance is growing rapidly



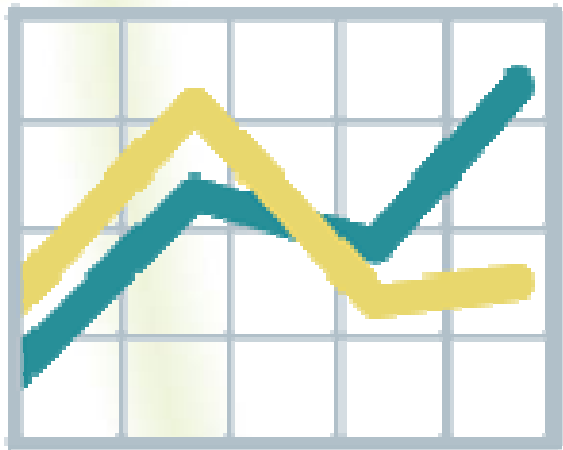
1) Growth

- In many jurisdictions, microinsurance is growing at a rate of 30% or more

Policy implications:

- Need to understand the scope of microinsurance in your jurisdictions, and how it is changing over time

2) Insurance companies are increasingly interested in serving low-income households



International insurance players in microinsurance



GUY CARPENTER



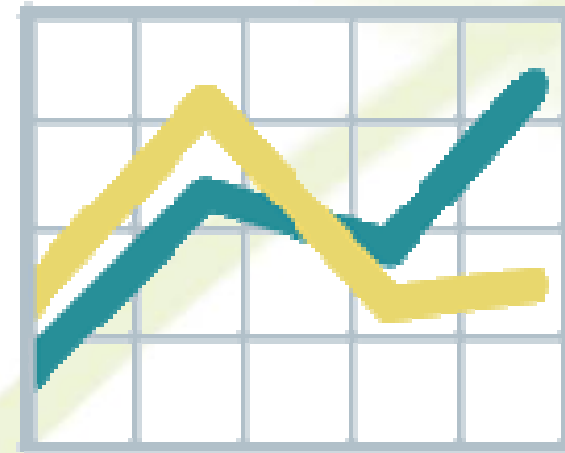
2) Insurance companies

- But much of the innovation is coming from outside regulated insurance companies, including NGOs, telecoms, hospitals, seed and fertilizer companies, etc.

Policy implications:

- Possible coordination with regulators of other sectors or industries
- How to create space for innovation while protecting consumers?

3) Greater variety of
distribution
channels are being
used



3) Innovative Distribution Channels

Not just MFIs distributing insurance...now seeing:

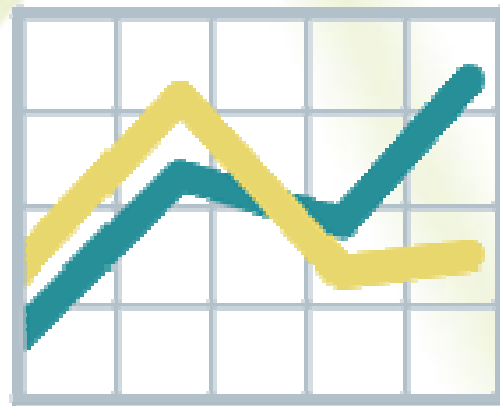
- Formal retailers
- Informal retailers (e.g. vendors of airtime)
- Utility companies
- Money transfer companies and telecoms
- Cooperatives
- Affinity groups (e.g. labour unions, churches, women's associations)

Often the microinsurance value chain can involve a number of players

3) Innovative Distribution Channels

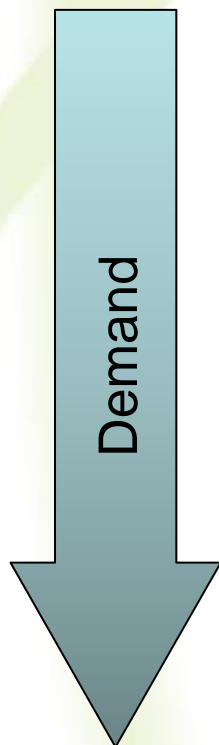
Policy implications:

- Need a better understanding of how insurance is reaching the low-income market
- Who is allowed to be an insurance intermediary? What requirements are really required to sell micro products?
- What is a reasonable commission for intermediaries?
- Recognize that traditional roles of insurance may be allocated differently for microinsurance (e.g. aggregator may pay claims)
- How many mouths are there in the microinsurance value chain, and how much of the premium is each eating?

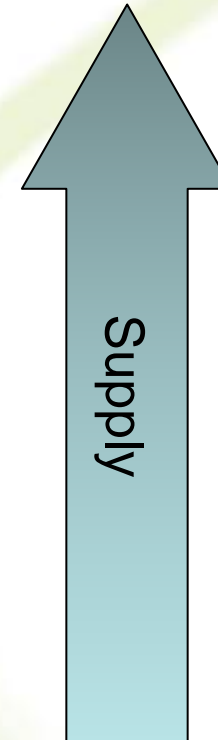


4) Product innovations are taking place

Microinsurance product irony



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



Products in greatest demand have been least available

4) Product innovations

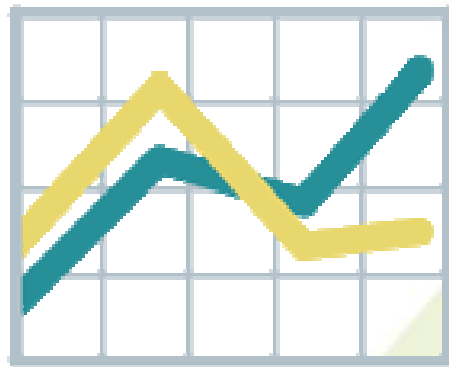
- Emergence of health, livestock and crop cover
- Benefits in kind (e.g. health and funeral services, seeds and fertilizer, payment of bills, food baskets)
- Providing “benefits” even if insured event does not occur (e.g. lottery ticket, mosquito nets, SMS weather reports, outpatient counseling)



Policy implications:

- Does index insurance count as insurance?
- Recognize that products are being developed with lots of pricing assumptions (but if claims ratios are low, does the pricing get adjusted?)
- How can Supervisors get a comfort level with innovative products without stifling innovation?

5) Experimentation with consumer education tools and methodologies is beginning



5) Consumer education

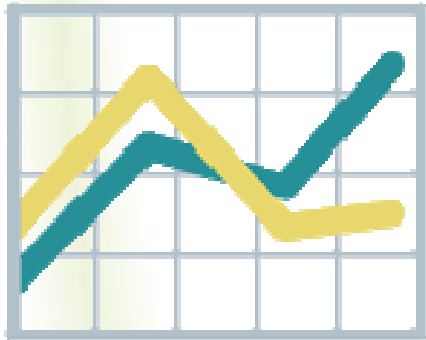
- Needs to be a continuous process using a variety of interventions
- Focused on risk management, not just insurance

Policy implications:

- If consumer education is a public good, who should be responsible for providing it?
- What should be the link between education and sales?
- Consider the important implications for consumer protection



6) Recognition that there are limits to the BOP business model, consideration for public-private partnerships



6) PPPs

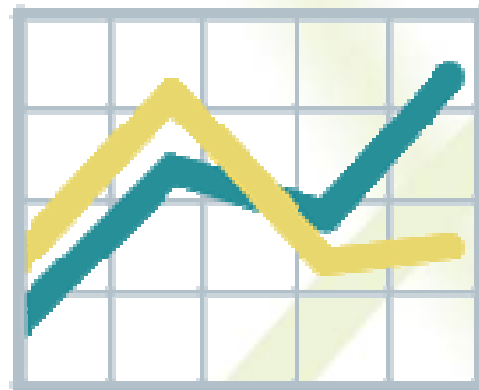
- Ideally, universal health insurance should be provided by the government, but often doesn't reach workers in the informal economy
- Some countries are engaging in public-private partnerships with the insurance industry to extend health coverage to the poor
- Agriculture is also a priority area in many countries, with some governments willing to subsidize insurance premiums
- PPPs could take various forms

6) PPPs

Policy implications:

- What are the possible risks associated with PPPs?
- What role can Insurance Supervisors play to stimulate their development? What influence might they have with other policymakers in their countries?

7) Policymakers, regulators are showing a greater interest

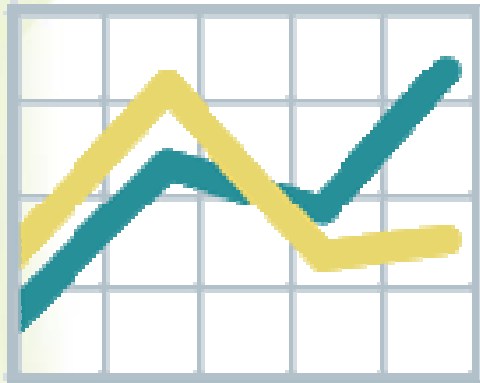


7) Interest from policy makers

- Joint working group between IAIS and Microinsurance Network since 2005
- Independent microinsurance regulations occurring in several countries

Policy implications:

- How can we enable policymakers to learn from each other's experiences, avoid reinventing the wheel and avoid repeating each others mistakes?
- How do we analyze the impact of policy to determine good practices?



8) Most microinsurance products do not provide the poor with particularly good value

8) Client Value

- High prevalence of credit life, AD&D products with low claims ratios
- Repeated problems with late claims payment and rejections
- If the market doesn't derive value, from insurance, it won't be possible to create an insurance culture



Policy implications:

- How can we ensure that insurance benefits the poor?
- How can we create a culture of insurance among low-income households?

Thank you!

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www.ilo.org/microinsurance

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