



Client Value Summary

What is the Microinsurance Learning and Knowledge project?

Microinsurance Learning and Knowledge (MILK) is a three-year project funded by the Bill and Melinda Gates Foundation's Financial Services for the Poor program and managed by the MicroInsurance Centre. MILK is dedicated to advancing knowledge, through collaborative efforts and original research on two key questions. 1) Does microinsurance offer **value** to low-income policyholders and their families, and if so, under what conditions? And 2) Is there a **business case** for microinsurance among insurers and delivery channels, and if so, under what conditions?

How do we look at Client Value in microinsurance?

MILK has developed a working definition of client value that reflects both the direct and indirect benefits of microinsurance and measures these against existing alternative risk coping mechanisms available to the poor to manage their risks.

What do we think is important to understanding client value?

An extensive landscape study of existing and ongoing research on microinsurance allowed us to identify significant gaps in understanding if microinsurance provides value to clients. Many related questions have been posed in the research, yet few studies have provided a clear understanding of the value to low income clients.

We believe that two important questions are reflected in these gaps and require specific attention:

1. Does microinsurance help protect people from large shocks (high cost events) in comparison to other alternatives?
2. To what extent is microinsurance effective in smoothing income or protecting assets of the poor when smaller shocks (low cost events) occur and if it is not, are there demand factors that are worthy of considering that make a case for value to clients of covering these small shocks with microinsurance?

MILK's Client Value Research Strategy?

Client Math Studies: Client Math studies will involve ex-post documentation of the responses to large shock events such as death, fire, accidents, and natural disasters for low income people with and without insurance.

Collaboration: MILK will collaborate with prestigious developed and developing country academic institutions working on microinsurance studies, primarily randomized control trials (RCTs). We can provide support and guidance in the design of research questions and methods, offer opportunities to add qualitative or contextual studies to research or contribute to research budgets when projects are closely aligned with MILK's goals.

MILK also aims to link studies of client value with business case analysis. For information about the MILK project, please contact Michael McCord: mjmccord@microinsurancecentre.org. For more information about MILK's business case work, please contact Rick Koven: rkoven@microinsurancecentre.org.

MILK Working Definition of Client Value

The value of microinsurance, either direct or indirect, represents the added value in comparison to other available risk coping mechanisms of having insurance either when claims are made or as a result of the changed behavior caused by owning a policy and trusting that it will be honored. Client Value is comprised of three components:

1. **Expected value:** the value clients may get from a product through behavioral incentives and "peace of mind", even if claims are not made
2. **Financial value:** the value of the product when claims are made as it compares to other coping strategies
3. **Service quality value:** the externalities created by providing access to product-related services

For more information about MILK's client value work, please contact Barbara Magnoni:
bmagnoni@microinsurancecentre.org.