Is There a Business Case for Microinsurance?

A review of recent literature

MILK Microinsurance Learning and Knowledge

MICRO INSURANCE CENTRE

MILK is a project of the MicroInsurance Centre

Microinsurance
Learning and
Knowledge

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I. Introduction

When over five hundred stakeholders in the microinsurance industry gathered in Manila in November 2010 for the 6th Munich Re Foundation and Microinsurance Network Annual Microinsurance Conference, there was every reason for optimism. Munich Re Foundation, the conference organizers, had announced that the attendance was the largest ever, with participants converging from every corner of the globe. Swiss Re had just published a paper which estimated that the market for "commercially viable microinsurance products" was 2.6 billion people. Lloyds had estimated a market of 1.5 to 3 billion policies and an expected annual growth rate of 10% per year, with an estimate of current penetration of only 5% (an estimated 140 million). A number of large insurance firms such as Hollard, Zurich, Aon, and Guy Carpenter, had amplified their own microinsurance initiatives, acknowledging that traditional markets in the developed world were largely saturated.

All indications are that microinsurance is gathering significant momentum attracting strong commercial interest for its potential as a new line of business for insurers. In addition to private sector interests in microinsurance, academics from leading universities such as Yale, New York University, Oxford, and Georgia State University have been eager to study the microinsurance phenomenon. Regulators from dozens of countries, under the auspices of the International Association of Insurance Supervisors, have participated in a working group to help develop supportive regulations for microinsurance.

Leading donors and development agencies such as World Bank, GTZ, and CARE have continued to support microinsurance activities over the past ten years. LeapFrog Investments, a microinsurance investment fund, has raised USD137 million from donors and investors to support microinsurance ventures. The ILO's Microinsurance Innovation Facility has funded over forty microinsurance programs, many of them selected for their potential to demonstrate how effective microinsurance can be and for the lessons we can learn from their operations.

So, when Dr Martin Hintz of Allianz asked the industry stakeholders gathered in Manila how many of them were profitable, it may have surprised some that only a handful of the hundreds of practitioners in the audience raised their hands. Surprising since, like its progenitor, micro credit, microinsurance from the outset was expected not only to serve as a poverty alleviation strategy but as a viable business strategy as well. Surprising as well since many in the microinsurance field are relying on commercial insurers to drive growth, contributing their capital, global risk spreading capacity, technical expertise and more. Commercial insurers seem to be infatuated with the potential at the bottom of the pyramid and excited about any association with this new star of corporate social responsibility. Many commercial insurers appear to be ready to contribute their capital, technical expertise, and global capacity for spreading risk, even though all evidence points to the difficulties of making a business success of microinsurance. Munich Re's Chairman, Hans-Jurgen Schinzler, summarizes these difficulties: "Premium income is low, administrative costs are relatively high, and infrastructure for insurance is lacking; that's why commercial insurers have not taken more interest in this market."

Working Definition: Microinsurance Business Case

There is a business case when the investment of capital and other resources in microinsurance are justified over time such that the benefits, costs and risks balance out to create a commercial rationale for insurers, intermediaries and distributors seeking to enter and sustain a position in microinsurance.

Given the importance of profitability, it is surprising that the microinsurance industry knows relatively little about it, and even more surprising that it does not seem to be at the top of the industry's agenda. Of the 58 PowerPoint presentations made in Manila only five mention the words "profit" or "profitability" at all, most of them just in passing. Only one presentation, by Doug Lacey of Quindiem, had the business case for microinsurance as its primary focus. Lacey's research, undertaken through the ILO's Microinsurance Innovation Facility, seems to be the only ongoing work that is seriously addressing the crucial question of the business case.

This Landscape Paper reviews the large body of writings and conference presentations on microinsurance to try and determine whether the business case for this new industry has been made. Our conclusion, in short, is that it hasn't. Beyond compulsory credit life schemes, we have struggled to find a single well-documented case of a microinsurance enterprise that is profitable at scale.

So, is there a business case for microinsurance? Can it scale up to its much heralded potential? Will it be a profitable line of business for commercial insurers? Other than profitability, are there any other motivations sustaining insurers' interest in this new market? These questions are important, and should be moved right to the top of the microinsurance agenda.

II. The Landscape

As noted, while much has been written about microinsurance, little explicitly addresses business case and related issues. We reviewed many hundreds of documents and identified those that, even if they did not directly address the business case, at least touched upon elements of basic business analysis necessary to determine commercial viability. Many of these articles are written by a small group of authors, including Churchill, McCord, Roth, and Garand, familiar to those who follow the industry.

The available literature forms, if not a commercial rationale for microinsurance, then a well delineated guide to its practice. The literature can be grouped as follows:

1. Gates Foundation grants and publications

a. **The ILO Microinsurance Innovation Facility** carries out four interlinked activities – innovation grants, capacity building, knowledge dissemination, and research. The Facility gathers data on the business case issues of its grantees through regular reports, and promotes the calculation of key performance indicators (KPIs) from its partners through its "learning journey" program. It also gathers important business case data from mid-term and final evaluations, and from specific research activities such as those being conducted by Quindiem with five of the Facility's grantees. The Facility is planning a further series of studies that include aspects of the business case, covering demand, models and products, distribution, the provision of health microinsurance, and administrative processes and IT. Most of these studies (27 are proposed in all) have linkages to the business case. It is expected that the Facility will be a key partner in the MILK project.

b. **MicroEnsure** is a specialized microinsurance broker which has sought to develop a unique and ambitious "hub and spoke" global platform to serve the microinsurance industry. It acts as a facilitator, matching program sponsors (NGOs, MFIs) with insurers by providing a range of intermediary services such as product expertise, back office support and overall program management. The Gates Foundation grant to MicroEnsure was specifically meant to test whether a microinsurance intermediary could achieve commercial viability. A major strategy assessment is currently being concluded which will shed much light on MicoEnsure's business model and commercial progress. MILK will be working closely with MicroEnsure management to bring out the key lessons on the business case.

c. The **Aga Khan Agency for Microfinance (AKAM**) Microinsurance Initiative was established in 2006 and focuses on developing microinsurance products beyond the relatively well-known field of credit life. One of its objectives has been to show the commercial potential of an agency model with operational linkages to various related institutions, in this case the Aga Khan network (which includes its own insurance arm and health care facilities). Much information is available to assess the business case for this program, and the MILK project will provide guidance in the collection and analysis of this data.

d. The **Landscape of Microinsurance** in the World's 100 Poorest Countries study from the MicroInsurance Centre (Roth, McCord & Liber, 2007) is a singularly comprehensive inventory of microinsurance programs worldwide and provides some quantitative information.

2. ILO publications and activities

a. **Protecting the Poor: A Microinsurance Compendium** is a practitioner's handbook and covers a wide range of practical business issues such as business models, product design, distribution, and administrative processes (Churchill (ed.), 2006), published by the Munich Re Foundation and the Microinsurance Network

b. **Quindiem Business Case Research** is a new research effort headed by Doug Lacey, who presented initial results in Manila. This research is funded by the ILO Facility as part of its research agenda (Lacey, 2010).

c.The **Key Performance Indicators (KPIs)** devised by Wipf and Garand, as part of the Microinsurance Network working group on Performance Indicators, are an excellent set of metrics developed specifically to evaluate microinsurance business results (Wipf & Garand, 2008).

d. The **Frontier Efficiency Analysis** set forth by Beiner and Eling, is informed by the KPIs. It generates a single summary statistic to measure a firm's performance, controlling for differences between firms and incorporating a measure for social performance (Beiner & Eling, 2009).

3. Other publications

a. *The Good and Bad Practices in Microinsurance* **Case Studies** are a series of 23 reviews of microinsurance programs issued between 2004 and 2006, which offer a diverse collection of lessons learned (*Good and Bad Practices in Microinsurance (series)*, Microinsurance Network (formerly CGAP Working Group on Microinsurance).

b. Two annotated **Bibliographies** published in 2007 and 2008 provide comprehensive overviews of the literature on microinsurance. The scant mention of business case in these extensive review compilations demonstrates how limited coverage of this issue has been (Dercon et al., 2008, Begam, 2007).

c. Many microinsurance practitioners have written about their own **program experiences**. Some of these are self-promotional and need to be viewed in context. Nonetheless, many are objective and useful. Microinsurance is a fairly transparent field, and its practitioners are generally willing to share their experiences even when they are unflattering to them.

d. **Business media** coverage of microinsurance has been sporadic but has clearly been increasing in recent years. Several examples of media treatment of the industry are included in the bibliography below.

e. **Academic papers** on the business aspects of microinsurance have been few, but more recently business schools at Georgia State, St. Johns University, University of North Carolina, Illinois State, Oxford and Wharton have all been taking an active interest in microinsurance.

4. Other activities and initiatives

a. The **Access to Insurance Project** (http://www.access-to-insurance.org/) is an initiative to strengthen global regulatory capacity in microinsurance.

b. **World Bank Global Database on Microinsurance** is an early stage effort to collect data on over 160 microinsurance programs. The data being collected includes lives covered, premiums received, claims paid, and distribution costs.

c. The **CIRM Microinsurance Databank** is a database and mapping of microinsurance enterprises in India (http://microinsurancemap.com/mri/index.html).

d. **Microinsurance Network** (http://www.microinsurancenetwork.org/index.php) operates working groups on performance indicators; distribution; regulation, supervision, and policy; technology; and other topics. Formerly known as the CGAP Working Group on Microinsurance, the Network has an extensive and growing membership base.

e. **MicroFact** (www.microfact.org) is an online platform that promotes microinsurance tools and workshops based on Key Performance Indicators (KPIs). The site is co-sponsored by BRS (Belgium) and ADA (Luxembourg).

III. The evolution of thinking on the business case for microinsurance

Microinsurance has been in existence for little more than a decade, and in that brief time, it has been understood in various and differing ways. First viewed as an adjunct of microcredit, then later as a downstreamed version of traditional insurance, and by some as a new incarnation of traditional mutual, cooperative and community based models, it is only in the past few years that microinsurance has come to be understood as something discrete – its own particular line of business, with its own business potential as well as significant business challenges.

The ILO STEP program was a pioneer in this field with its move to adapt government funded social insurance systems at the community level in developing countries. However, the initial commercial construct (and enthusiasm) for microinsurance was primarily as an adjunct to Micro Finance Institutions (MFIs).
Early microinsurance efforts relied on MFIs to be aggregators of potential insurance buyers and ready-made distribution channels (Brown, 2001; Roth & Athreye, 2005). Even today, compulsory credit life plans sold through MFIs remain the traditional entry point for many insurers in the microinsurance market (Churchill & Pepler, 2004).

Many of the early credit life microinsurance schemes were informal and self-funded. Their shortcomings are seen as a rationale for the entrance of traditional insurers in the market (Brown, 2001; Brown, Green, & Lindquist, 2000; Roth, 1999). To the extent that the self-funded model was inadequately resourced and the MFI as an insurance risk taker deemed an over leveraging of capital, the Partner-Agent approach emerged as a preferred business model for commercial insurers. Community based, mutual and cooperative models continue to have their own proponents (Manje, 2005), and indeed these models may be preferable under certain circumstances.

With the opening of its insurance markets in 2000 and the subsequent legislative requirement that insurers cover a minimum percentage of social and rural sector business, India became the hot bed of microinsurance. The combination of a growing economy, a large marketplace of poor people, and a regulation compelling insurers to cover the poor, spawned dozens of new microinsurance programs (Ahuja & Guha-Khasnobis, 2005).

As microinsurance has grown there has been a shift from primarily mandatory products to a mix of mandatory and voluntary products. Most early credit life programs were a compulsory addition to microcredit programs. Member awareness of the insurance component was limited, and this did little to test demand. Current initiatives to offer more voluntary microinsurance products are sparked by two concerns. First there is the concern that mandatory products could limit insurers because of their low premium potential (one cannot expect compulsory payment for products if their premiums are too costly). Second, there are donor and public sector concerns that clients are not aware of the benefits of mandatory products.

The move toward voluntary products is undoubtedly a leap forward in the potential for member value, but it also means greater business complexity (Brown & Churchill, 2000; Churchill, 2007). Health insurance is expected to generate the greatest demand, yet it is also the most difficult of the voluntary products to implement (Roth et al., 2007). Profitability has been particularly difficult to achieve for voluntary products , and some have suggested that microinsurance products should be designed with the flexibility to sell to slightly higher income groups as well, as a way of supporting sales to the poor (Churchill (ed.), 2006). However, effective segmentation has been difficult to achieve (Garand, 2006).

IV. Key issues related to the business case

Looking forward, some key issues continue to mark the landscape for the business case for microinsurance. These include the role of donors, regulatory constraints, market demand for the products, consumer education, pricing and actuarial risks, and cost-effective delivery. All factor into the potential for microinsurance programs to succeed or fail.

Role of donors: The development of microinsurance is still in a relatively early stage, supported in large part by donor initiatives and the corporate social responsibility programs of large insurance companies. Donor funding was important from the outset with the involvement of GTZ, DFID, the World Bank, and others. This culminated with the Gates Foundation microinsurance grants of USD 70 million in 2007.

Some concern has been expressed that donor funding distorts both the inputs and outputs of microinsurance enterprises (McCord, 2002; McCord, Isern, & Hashemi, 2001; Herndorf, 2010), but there is cautious optimism that donors can play a valuable role in developing the still nascent microinsurance market (Latortue, 2006; McCord 2008).

Regulatory constraints: The emerging view is that regulation can be helpful, but simply imposing the regulatory schemes of traditional insurance inhibits the growth of microinsurance (Churchill, 2007; International Association of Insurance Supervisors (IAIS), 2007; Smith et al., 2010; Roth et al., 2007). An important initiative in this regard is the Access to Insurance project sponsored by the IAIS, ILO, CGAP, GTZ and others. IAIS exists to raise the awareness of insurance regulators around the globe about the need to provide the poor with access to insurance with appropriate regulatory safeguards (http://www.access-to-insurance.org/).

Growth potential: The growth potential for microinsurance in developing countries is typically described in relation to the "insurance density" in the developed world. Such extrapolations often apply percentages of lives covered in developing countries (or total premiums as a percentage of GDP) to those in developed countries. Such figures are then cited as a clear expression of the manifest potential for microinsurance (Churchill, 2007; Lloyds, 2010; Swiss Re, 2010; Roth et al., 2007). Applying developed world insurance density percentage to the world's 4 billon poor generates assumptions that may well turn out to be unrealistic.

More recently, doubts have arisen about the potential of microinsurance for catalytic growth. Distribution through MFIs is not achieving expectations, as MFI channels have not adapted to selling insurance as easily as expected (McCord, 2006). The evidence is that microinsurance programs tend to grow slowly. Many case studies are showing unresolved problems on the demand side, inappropriate product design, unreliable service, high transaction costs and overall difficulty in execution (European Business Review, 2010; Lacey 2010). Concerns are also being raised about the availability of qualified people to manage the growing numbers of microinsurance enterprises (IAIS, 2007; McCord, 2008).

Risk management: Risk management concerns such as adverse selection, moral hazard, and covariant risk are often cited, especially given that underwriters and actuaries have little claims experience to draw on when they set rates (Roth & Athreye, 2005; Lacey 2010).

The role of reinsurers in managing risk has been explored by a number of authors, although there is some disagreement about how critical the need for risk-spreading capacity actually is (Dror & Armstrong, 2006; Roth & Athreye, 2005; Brown & Churchill 2000a; McCord, Botero, & McCord, 2005, Churchill & Pepler, 2004). It is not clear how different the risks are between covering the poor and covering traditional markets, except that the lack of existing coverage and available claims data make for a blind spot for actuaries and underwriters. Reinsurers are already present in the microinsurance market but it is not known how much their risk-spreading capacity is needed outside of catastrophic cover.

Product demand: Whether microinsurance is (or should be) demand or supply side driven is much debated. Related to this is the question of who is responsible for the client education needed if a population has limited financial literacy. Insurers may feel it is not their responsibility to devote resources to this (McCord 2008), although it has been shown that education of staff and clients can contribute to effective marketing (Brown & Churchill, 2000b; Hill & Robles, 2010; McCord et al., 2005).

As demand for insurance products among the poor has become better understood, so has the need for product customization. Some writers have described how product design and flexible payment options can increase demand and help to achieve scale (Brown & Churchill, 2000a; Brown & Churchill, 2000b; Hintz, 2010), but not much has been written about how well insurers are able to implement and administer such products (notable exceptions are Roth & Athreye, 2005; McCord et al., 2005; European Business Review, 2010; and Churchill & Pepler, 2004). With the recent recognition that pre-paid or "cashless" health insurance schemes are much more workable for the poor, the focus then shifts to how to secure effective provider partnerships (Wipf & Garand, 2010). It is well known that credit life is profitable and reasonably easy to execute, but there is also the fact that as it matures, credit life becomes commoditized and margins are compressed. As a result credit life may not in and of itself be sufficient to support a business case for microinsurance.

In contrast to all microinsurance products, health insurance appears to be in highest demand, but is the most difficult product to execute. Many health microinsurance programs experience inordinately high claims loss ratios in their early years. It is not yet clear if this phenomenon is a function of the uncapping of demand from previously uninsured persons (if true, it should settle out over time) or if it points to a more fundamental challenge.

Another product where significant demand is anticipated, although not yet realized, is weather index insurance. Many of the same NGOs and MFIs that pioneered microinsurance in conjunction with microcredit programs serve rural constituents. Since farming without irrigation is prevalent in developing countries, both drought and excess of rain are common risks, and there is a demand for risk protection (Giné, Menand, Townsend & Vickery, 2010; Hill & Robles, 2010). The weather index product may require significant government and donor support, including infrastructure-building, but it appears to lend itself well to the partner-agent model, including risk-spreading to national and multinational insurers and reinsurers. Limitations to date have included the lack of uniform weather station infrastructure and better education to help clients understand the product (Manuamorn, 2007; Hazell et al., 2010).

Distribution: Distribution is generally acknowledged to be essential for the success of any microinsurance program. Alternate distribution channels such as Hollard Insurance selling cover through Pep department stores in South Africa are currently being explored (Hougaard & Chamberlain, 2007). As distribution strategies and product design have evolved, end to end business processes have come under more scrutiny. Outsourcing business processes such as Third Party Administrators (TPAs) has emerged as a strategy (Allianz Group, 2010; Churchill & Pepler, 2004). Efficient use of technology is increasingly seen as a way to overcome the high transaction costs associated with microinsurance (McCord, 2008; Swiss Re, 2010).

Role of large insurers: Large multinational insurers and reinsurers are increasingly focusing on microinsurance and writing about it. In 2010 alone, Lloyds, Swiss Re and Allianz all published thought pieces on microinsurance (Allianz, 2010; Swiss Re, 2010; Lloyds, 2010). As mainstream insurers engage in microinsurance, more business media coverage of the microinsurance field has followed (European Business Review, 2010; Brown, 2010).

V. Findings

The potential market for microinsurance is assumed to be enormous, and has captured the attention of large multinational insurers and the global reinsurance community. Nonetheless, experience has shown that, at enterprise level, microinsurance takes longer than expected to achieve meaningful scale, and perhaps even longer to achieve profitability at scale. It remains to be seen how long it will take for insurers to realize any return on their microinsurance investments, or how patient they will be if results do not materialize quickly.

Microinsurers have learned that borrowing distribution systems from MFIs and down-streaming traditional products do not work as well as anticipated in scaling microinsurance programs, despite specific exceptions. What is emerging clearly is that traditional business processes cannot be imposed on microinsurance – they often turn out to be ineffective and costly. Expense ratios that exceed claims ratios are unsustainable. Beyond compulsory credit life schemes, traditional business processes in most cases have to be set aside in favor of innovative alternatives. Microinsurers who do not keep accurate cost data (and most do not) will be hard pressed to re-engineer their business processes in an effective manner. For those that do, such innovations may benefit insurers beyond their microinsurance portfolios.

A successful business case for microinsurance requires a supportive regulatory environment. The ideal regulatory environment neither over-promotes the market (because to do so distorts the market) nor does it create barriers by insisting on rigid enforcement of traditional insurance guidelines.

Our review revealed a stark lack of financial metrics both at the enterprise level and for the industry as a whole. Microinsurance programs either do not track such data or do not keep results separate from their general lines of business. Commercial carriers, on the other hand, may view their financial metrics as proprietary and hence be reluctant to share their data. As a result, it is generally not possible to identify which microinsurance enterprises are profitable, which are on a trend to profitability, and which are never likely to be profitable. Emerging efforts such as the Global Database on Microinsurance Project and Microinsurance Network's Performance Indicators Initiative may help to address this gap, but as yet, no tangible output is available. Available data on business results tend to be snapshots and therefore static, making it hard to measure progress over time as individual enterprises and the overall industry evolve. Sadly, therefore, we cannot measure basic trends in the industry and at this point we simply don't know if we are moving toward profitability.

Although we have some general indicators about which programs have been successful, we do not have any quantitative analysis and/or peer benchmarking to determine which specific factors drive business success. There is anecdotal evidence, but no quantitative analysis measuring the merits of one business model over another. We do not know why one product type is developed over others, or why some programs fail and others succeed, or why some grow quickly and others languish.

Of course profitability is not the only measure for the business case. Microinsurance undoubtedly needs to scale up to achieve both its business and social purposes. It is not yet clear how best to measure scale. Is it the share of the insurer's book of business? Is it the percentage of persons covered from a discrete target population? Or is it some absolute minimum amount of premium?

Concerning distribution, clearly MFI distribution is a useful channel. Beyond credit life, however, microinsurers that rely solely on MFI distribution typically do not scale up to expectations. Very little has been done to document the cost of distribution, which in insurance is a key component of any profitability analysis. While much has been written about the problems associated with MFI distribution, we have yet to see much documentation about the outcomes of alternate channels. Lack of capital and lack of insurance expertise are inherent constraints for self-funding and other informal schemes. The Partner-Agent model is well accepted as workable from both the insurer and distributor

(NGO, MFI) perspective, but other models such as direct retailing and broker-intermediary are as yet inconclusive, as is experimentation with passive retailing.

Concerning product suitability and customization, much has been written, but little of this literature describes profitability at the product level. Of particular interest is whether voluntary products can be profitable. This issue is clouded, as many microinsurance schemes are delivered by organizations with multiple lines of business, with little documentation on how expenses are allocated across lines of business. Contributing to this blurring is a dual bottom line perspective, balancing both social and business goals. Research has hardly looked at how these goals are balanced.

Lastly, surprisingly little has been written about competition within the microinsurance field. An examination of competitive factors would seem central to any classical business analysis.

VI. Conclusions

While there exists a substantial body of writings and other research activities on microinsurance, we do not yet have the evidence to support a business case. The ILO Compendium, the case studies, the MicroInsurance Centre's Landscape Study as well as the landscape of Africa and the other extensive work from the ILO Facility, the KPIs and other practitioner writings taken together represent a fairly robust "how to" but not a "why". Only very recently (Lacey, 2010) has a researcher explicitly examined the business case for microinsurance. Determining the business case requires, at a minimum, credible quantifiable measures of business results presented consistently over time, in a standard format, covering a large representative sample, both of programs that appear to be successful and those that are failing or have failed. The KPIs developed by Wipf and Garand are an excellent template for quantitative analysis. What remains is to see the results of their application.

Traditional quantitative measures are not the only tools needed to assess the commercial viability of microinsurance. There are also important subjective, qualitative measures of business case. For example, will insurers be more likely to commit to microinsurance if it helps them to establish a foothold in developing markets? Will they leverage existing distribution and other resources? Will they spread the costs of new products and technologies across a broader policyholder base? That said, the current attention that microinsurance gets from insurers, reinsurers, donors, regulators, the press and academicians suggests that these subjective factors are a motivation. The engagement of insurers may well evaporate if a compelling business rationale cannot be proven.

In sum, we do not yet know if there is a business case for microinsurance. At this point, we have a clearer sense of what microinsurance is not (an extension of micro credit business or a down-streaming of traditional insurance) than we do of what it is or will be. Frankly, the business case for microinsurance may be equivocal and may be a blend of qualitative and quantitative factors. The MILK project, working with others, will continue to try to understand the business case and to understand the conditions under which such a case might emerge.

Appendix 1 below is an assessment, grouped according to different issues, of documents with significant contributions to the consideration of the business case in microinsurance.

Appendix 2 provides a list of these documents in bibliographic form. Although many documents may touch upon business case components, those selected for the Appendices were chosen because of the specific contributions they make to the discussion.

Appendix 1: Landscape Matrix of Research and Studies Related to the Business Case for Microinsurance

Issues	Context Category: General	Life	Health	Other	Multiple or Composite
Regulatory Issues Microinsurance requires specialized regulatory guidelines.	Brown & Churchill 2000a (various regulations may apply; use of "member benefits" to circumvent regulation) Brown & Churchill 2000b (regulation is less pervasive in developing countries; common elements and impact of regulation) Churchill 2007 (regulators should treat MI differently; capital requirements, management credentials, reporting requirements are too high; agent licensing is restrictive) Euro Review 2010 (regulatory environment helpful in advancing MI in India) IAIS 2007 (issues and challenges to developing an enabling regulatory framework in line with IAIS Core Principles) IAIS 2010 (appropriate and effective regulation of mutuals, coops, and other community-based organizations) Lloyds 2010 (how regulation of MI should be different from traditional insurance) McCord 2002 (MFIs should be cautious when mixing insurance with other financial services because of regulation) Roth et al. 2007 (regulations are often inappropriate for MI but needed to prevent abuses) Smith et al. 2010 (regulation drives innovation) Swiss Re 2010 (regulations can help or hinder; care is needed)	Manje 2005 (no specific MI regulatory regime, and insurer treats MFIs as policyholders under a group scheme, but in practice they act as agents)		Giné et al. 2010 (regulatory environment should foster new product development and consumer protection) [weather index] Hazell et al. 2010 (importance of developing an enabling regulatory environment)	Churchill & Pepler 2004 (enhanced agent licensing requirements will make distribution more difficult)
Distribution Issues Distribution channels must be able to reach the target market efficiently and effectively.	Allianz et al. 2006 (potential delivery partners in Indonesia) Allianz 2010 (commercial insurers can use aggregators other than MFIs) Brown 2001; Brown et al. 2000 (suggests that MFIs develop partnerships with established insurers rather than develop their own products) Brown & Churchill 2000a (agency vs. integrated distribution) Churchill 2007 (cannot use the same channels as traditional insurers) Lacey 2010 (need to know the cost of distribution)Lloyds 2010 (innovation in distribution channels) McCord 2006 (using the partner-agent model, MFIs can leverage existing interface, but success is mixed) Roth et al. 2007 (delivery is single biggest constraint to growth) Smith et al. 2010 (current emphasis on passive models, trend toward using retailers and cell phones) Wipf & Garand 2006 (need to link to an existing collection system)	Brown & Churchill 2000b (centralized vs. decentralized processing, marketing) Manje 2005 (Madison partners with 4 different MFIs; could play a more active role in distribution) Roth & Athreye 2005 (distribution through community rural insurance groups; micro agents are specially trained and have specialized compensation) Roth 2005 (MFI distribution produced high lapse rates; cycle of loans out of sync with cycle of insurance renewals)	Brown & Churchill 2000b (dedicated health-care facilities, salaried service provision, or indemnity coverage) Leftley 2010 (advice for MFIs acting as intermediaries)	Brown & Churchill 2000b (MFIs and coops can be effective in distributing) [property insurance] Hazell et al. 2010 (graft onto existing delivery channels; engage private sector from the beginning) McCord et al 2005 (delivery through AIG agent, then MFI has been effective; lack of communication can be a problem)[property insurance]	Churchill & Pepler 2004 (partnership with credit union; credit union personnel had difficulty selling its products; traditional compensation incentives needed to motivate credit union staff) McCord et al. 2001 (delivery channel is strengthened through broad product and service base; SEWA switched from delivering commercial insurers' products to direct insurer)

Issues	Context Category: General	Life	Health	Other	Multiple or Composite
Role of Technology Technology can reduce costs in marketing, distribution, monitoring, and claims administration.	Allianz 2010 (technology prevents fraud; smart cards and cell phones) Lloyds 2010 (potential for using mobile phones) McCord 2005a (administrative efficiency is a key consideration) McCord 2008 (technology can help achieve massification, reduce costs) Smith et al. 2010 (cell phone payment transfers are expensive) Swiss Re 2010 (tech will help overcome costs)			Hazell et al. 2010 (describes infrastructure needed for data collection)[weather index] Manuamorn 2007 (infrastructure is not well-developed)[weather index]	
Achieving Scale Small policies can be profitable if sold in large numbers.	Allianz et al. 2006 (insurance density and penetration measure strength of market) Allianz 2010 (how to achieve scale; growth is fast after reaching critical mass) Brown 2010 (Wal-Mart model) Brown & Churchill 2000a (various ways to reach scale) Euro Review 2010 (slow take up in many MI programs, huge opportunity for leveraged growth at BOP) Lacey 2010 (importance of scale) McCord et al. 2005 (grew quickly and profitably, produced significant results for AIG) Roth et al. 2007 (Industry believes it will achieve 100% growth in 5 years) McCord 2008 (need for massification)	Hintz 2010 (provide savings component that customers want to generate growth; use a simple distribution system)	Brown & Churchill 2000b (pricing and payment options can extend outreach) Dror & Armstrong 2006 (cost of risk transfer is a function of scale)	Hazell et al. 2010 (drivers of sustainability and scalability) [weather index] McCord et al 2005 (almost all MFIs in Uganda offer the AIG product)[group personal accident]	Garand 2005 (difficulty reaching viable scale)
Risk Management Adverse selection, moral hazard, covariant risk, and fraud.	Churchill 2007 (adverse selection, inadequate data, claims documentation requirements) Euro Review 2010 (moral hazard is an issue in MI) Lacey 2010 (covariant risk and adverse selection add cost) Smith et al. 2010 (anti-selection exacerbated by small risk pools, use waiting period to minimize the problem)	Brown & Churchill 2000b (use third party proof requirements, mandatory policies, and exclusions) Roth & Athreye 2005 (exclusion for suicide in the first year; agent fraud is a concern; covariant risk not a concern because policies are so small) Churchill, C. (ed.). (2006) (discusses techniques to manage adverse selection and fraud)	Brown & Churchill 2000b (limits on benefits can curb overuse, exclusions help with moral hazard, group enrollment can help with anti-selection)	Brown & Churchill 2000b (deductibles, claims inspectors, credit-tied policies)[property insurance]	Garand 2005 (covariate risk – earthquake – created financial strain; bundled product reduces anti selection)
Transaction Costs Traditional insurance involves complexity and high transaction costs in delivery and claims administration, but small policies require lower cost administration.	McCord 2006 (MFI distribution can be costly, although cost data is often not collected and analyzed) Lloyds 2010 (need to minimize transaction costs for insurers and clients)				Churchill & Pepler 2004 (outsource admin)

Issues	Context Category: General	Life	Health	Other	Multiple or Composite
Product Issues Product characteristics must be desirable from the client's perspective and profitable from the insurer's.	Brown 2001 (prerequisites MFIs should consider if they develop their own products to ensure financial sustainability) Brown & Churchill 2000a (7 universal principles for product development; group vs. individual insurance)Churchill 2007 (products need to be different, not just smaller) Euro Review 2010; (shorter term life products, e.g., 2-5 years, with return of premium at term) McCord 2005a (need to develop appropriate products and look at premium components that will make insurance work) Roth et al. 2007 (demand for health insurance is greatest among poor)	Brown & Churchill 2000b (term, endowment, permanent) Leftley 2010 (credit life is a relatively simple product, but still many ways to structure it)	Brown & Churchill 2000b (determining the right mix of services; benefits and limitations of various payment mechanisms)	Brown & Churchill 2000b (coverage based on type of asset, type of risk)[property insurance] Hazell et al. 2010 (contract design and coping with basis risk are complex; need to continuously monitor products)[weather index]	Churchill & Pepler 2004 (simple products keep costs down and are easy for clients to understand) McCord et al. 2001 (continuous informal feedback is used to modify products rather than formal market research; analysis and modification of product at pilot stage could have been stronger)
Poor Understanding of Insurance Intermediaries and clients must understand the policies. Insurance Intermediaries and clients must understand the policies.	Churchill 2007 (educating the market is key to effective marketing) McCord 2005a (lack of understanding is a key barrier to sales, and can be solved with appropriate education) Swiss Re 2010 (need to create an insurance-buying culture among low-income households)	Brown & Churchill 2000b (client education is part of marketing; staff training) Manje 2005 (clients have poor understanding because education is weak and staff doesn't have adequate training) Roth & Athreye 2005 (client base either knows very little about insurance or has had negative experience with it)	Brown & Churchill 2000b (easier to overcome skepticism toward health insurance than life)	Brown & Churchill 2000b (different ways to value covered assets)[property insurance] Hazell et al. 2010 (importance of training; lack of client awareness can hinder a product's development)[weather index] Hill & Robles 2010 (training group leaders was most effective in increasing understanding) [weather index] Manuamorn 2007 (repeated village meetings strengthened understanding of product)[weather index] McCord et al. 2005 (need ongoing education and access to information about policies)[group personal]	McCord et al. 2001 (weak communication with client base has been a problem)
Trust and Service Clients must trust insurers to pay claims, or they will not purchase (or renew) policies.	Garand & Wipf 2006; Wipf & Garand 2010 (quick time to payout is important) Lloyds 2010 (need to develop an insurance culture)	Brown & Churchill 2000b (rapid processing builds trust) Roth & Athreye 2005 (complicated and extensive claims verification leads to customer dissatisfaction)	Brown & Churchill 2000b (need to monitor healthcare providers)	Hazell et al. 2010 (importance of local stakeholders)[weather index] Brown & Churchill 2000b (full-service insurer, partner-agent, group policyholder; how to determine the right model)[property insurance]	McCord et al. 2001 (large integrated field staff allows for quick response at high claims rate times; processing of claims much faster than commercial insurers)

Issues	Context Category: General	Life	Health	Other	Multiple or Composite
Profitability How profitable can microinsurance be, and how are profits measured?	Allianz 2010 (how to achieve profitability) Brown 2010 (low margin/high volume is the key to profitability; examples of profitable insurers) Kalavakonda 2010 (benchmarking, comparison of financial performance across peer groups on microinsurance database) Lloyds 2010 (motives other than profit: larger and diversified risk pool, reputation, market intelligence and innovation) McCord 2005b (potential for and barriers to profitability)	Brown & Churchill 2000b (claims ratio, expense ratio) Manje 2005 (product appears to be profitable, but insurer doesn't keep separate cost data) Roth & Athreye 2005 (not likely to generate significant profits but has other benefits)	Brown & Churchill 2000b (none of the programs had full cost recovery while reaching a predominately poor population)	McCord et al. 2005 (profits of 20% on premiums)[group personal accident]	McCord et al. 2001 (financials show high level of sustainability)
Business Models What models and organizational structures are optimal?	McCord 2002 (commercial insurers better than MFIs as insurance risk takers) Lloyds 2010 (describes business models and participants) Swiss Re 2010 (overview of business models, participants, and market trends) Wipf & Garand 2008 (organizational aspects and the KPIs)	Brown & Churchill 2000b (full-service insurer, partner-agent, group policyholder; how to determine the right model) Manje 2005 (partner-agent model; commissions vs. profit-sharing) Roth 2007 (Health insurance is riskier and more difficult than life)	Brown & Churchill 2000b (mutuals, separate insurer, partner-agent; how to determine the right structure)	Hazell et al. 2010 (importance of local stakeholders)[weather index] Brown & Churchill 2000b (full-service insurer, partner-agent, group policyholder; how to determine the right model)[property insurance]	McCord et al. 2001 (SEWA is a mix of the partner-agent and full-service models)
Dual Bottom Line (CSR) Need to balance the bottom line / profit interests with social performance.	Biener & Eling 2009 (ability to show social performance in the context of other variables) Churchill 2007 (how commercial insurers can serve the poor) Herrndorf 2010 (importance investors give to these factors will vary) Wipf & Garand 2008 (how to assess social performance and the KPIs)				
Composite Products Combining types of insurance, or insurance with other financial services, can increase profits but also adds complexity.	Ahuja & & Guha-Khasnobis 2005 (most products cover only 1 risk) Brown & Churchill 2000a (life-savings, banks as insurers)			Giné et al. 2010 (combine insurance products with short-term loans)[weather index]	Churchill & Pepler 2004 (agents are more effective when insurance is integrated with other products) Garand 2006 (composite products are complicated)

	Context Category				
Issues	General	Life	Health	Other	Multiple or Composite
Segmentation Market segmentation can lead to more effective marketing and pricing, but can be costly.	Hintz 2010 (focus microinsurance on the cohort just above the very bottom) Churchill, C. (ed.). 2006 (MI products should have flexibility to sell to slightly higher income groups as well to support sales to the poor)			Hill & Robles 2010 (severe loss and moderate loss products available for each phase of growing season; farmers can build their own portfolio)[weather index]	Garand 2006 (SEWA was unsuccessful in marketing a higher-end product; choice was confusing)
Quality of Data Data on which policies are priced and claims are decided may be incomplete, inaccurate, or costly to collect.	Biener & Eling 2009 (model provides the ability to synthesize many variables in to composite score) Kalavakonda 2010 (lists types of data that were and were not easy to collect for the microinsurance database)			Hazell et al. 2010 (infrastructure for data collection)[weather index] Manuamorn 2007 (well-developed information management system)[weather index]	
Role of reinsurance and capital needs Reinsurance can be costly and its access limited; to what extent is it necessary?	Brown & Churchill 2000a (reinsurance contracts can address various issues) Lacey 2010 (necessary but limits profitability) Swiss Re 2010 (reinsurers and capital markets are crucial)	Roth & Athreye 2005 (not needed because MI portfolio is too small to present systemic risk)		Hazell et al. 2010 (reinsurance markets are crucial but currently thin; other financial products can spread covariate risk but have high transaction costs)[weather index] McCord et al. 2005 (not used because sums are small, but this may change)[group personal accident]	Churchill & Pepler 2004 (not used now but this will likely change) Dror & Armstrong 2006 (reinsurance is cheaper than capital loading; potential role for governments) Garand 2006 (didn't have enough to cope with earthquake)
Silo How do insurers distinguish lines of business for purposes of operations and record-keeping?	Lacey 2010 (MI products are all managed by different business units)	Manje 2005 (Madison does not keep separate data for microinsurance) Roth & Athreye 2005 (TATA does not keep line of business data)		McCord et al. 2005 (not tracked separately from other accident lines)[group personal accident]	Garand 2005 (SEWA products are integrated)
Voluntary vs. Compulsory What are the relative benefits?	Brown & Churchill 2000b (compulsory products avoid adverse selection problems) Lacey 2010 (voluntary products have higher claims cost; easier to achieve scale and profitability with compulsory products) McCord 2006 (difficult to use MFIs as intermediaries with voluntary products) Wipf & Garand 2006 (compulsory is needed to avoid adverse selection)	Manje 2005 (credit-life is compulsory; funeral is voluntary but uptake is low)		Giné et al. 2010 (very low uptake of voluntary government product)[weather index] McCord et al. 2005 (marketing is necessary even with compulsory products)[group personal accident]	McCord et al. 2001 (began as compulsory, switched to voluntary because of client dissatisfaction)

	Context Category				
Issues	General	Life	Health	Other	Multiple or Composite
Donor and Government Funding How long will donor subsidies be required, and what tradeoffs are required to meet donor expectations? How best to integrate with government programs?	Brown & McCord 2000 (role of donors) Lacey 2010 (reliance on donor funding can be dangerous) McCord 2005a (investors have various options for involvement in MI) McCord 2008 (donors can bring parties together, facilitate public-private partnerships) Swiss Re 2010 (commercial insurance may not be viable for the poorest, and government can play a role)			Giné et al. 2010 (government should invest in more rainfall gauges) [weather index] Hazell et al. 2010 (donors and governments can play a role in scaling up; pros and cons of subsidies)[weather index] McCord et al. 2005 (no external subsidies since the product's inception)[group personal accident]	McCord et al. 2001 (members pay 50% of the cost of coverage, the rest is covered by government and donor money)

Appendix 2: Research on the Business Case for Microinsurance – Annotated List of Initial Sources

1. Ahuja, R., & Guha-Khasnobis, B. (2005). Micro-Insurance in India: Trends and strategies for further extension, Working Paper No. 162. New Delhi, India: Indian Council for Research on International Economic Relations.

- Key Words: India, regulation, supply and demand, product issues, distribution issues, composite products
- Product: various
- Abstract: "This paper provides an overview of the prospects of microinsurance in India, and suggests strategies for its further extension. Analyzing the early evidence on microinsurance, the paper also highlights the current initiatives being contemplated to strengthen micro-insurance activity in the country. The authors study the developments on the supply side of micro insurance and observe that of the 80 listed insurance products, 45 cover only a single risk. Private insurance companies have more products than public companies. The available products cover a wide range of risks and most of the health insurance products exclude pregnancy related illness, etc. The authors assess the developments on the demand side of micro insurance and observe that 51 schemes are listed, with almost all being in the nascent stages. Nearly all insurance schemes are linked with microfinancial services. Life and health are two most popular risks for which insurance is demanded. The paper provides insights on the concept note of Insurance Regulatory and Development Authority (IRDA) on micro-insurance. It details IRDA's plans of introducing supplementary provisions to promote its intermediate model." (Begum, 2007)

2. Allianz Group. (2010). Learning to insure the poor: Microinsurance report.

- Key Words: distribution, technology, achieving scale, product issues, understanding of insurance, profitability
- Product: various
- Abstract: This report draws from case studies of existing Allianz microinsurance products and experts in the field to examine products for low-income people and how to achieve scale and profitability. Only a small proportion of the potential market for microinsurance has been tapped, and microinsurance can only be profitable if large numbers of policies are sold. Products and processes must be standardized and efficient in order to keep costs low, and a variety of delivery channels should be utilized to create a solid customer portfolio.

3. Begum, S. (2007). Annotated bibliography series: Series no. 5: Microinsurance. Institute of Microfinance.

- Key Words: bibliography
- Product: various
- Abstract: This annotated bibliography contains short descriptions of documents relating to a wide variety of microinsurance topics.

4. Bester, H., Chamberlain, D., & Hougaard, C. (2009). Making insurance markets work for the poor: Microinsurance policy, regulation, and supervision. CGAP Working Group on Microinsurance.

- Key Words: regulation, distribution, composite products, role of government
- Product: various
- Abstract: "This document presents the synthesis of five country case studies on the role of regulation in the development of microinsurance markets. The objectives of this project were to map the experience in a sample of five developing countries (Colombia, India, the Philippines, South Africa and Uganda) where microinsurance products have evolved and to consider the influence that policy, regulation and supervision have had on the development of these markets. This evidence was used to extract cross-country lessons that seek to offer guidance to policymakers, regulators and supervisors who are looking to support the development of microinsurance in their jurisdiction. It must be emphasized that these findings do not provide an easy recipe for developing microinsurance but only identify some of the key issues that need to be considered. In fact, the findings emphasize the need for a comprehensive approach that is informed by, and tailored

to, domestic conditions and adjusted continuously as the environment evolves." (Bester et al., 2009, abstract)

5. Biener, C., & Eling, M. (2009). The performance of microinsurance programs: A frontier efficiency analysis. University of Ulm, Institute of Insurance Science.

- Key Words: dual bottom line, quality of data
- Product: various
- Abstract: This study is the first to apply the statistical technique of frontier efficiency analysis to measure the performance of microinsurance programs. The authors of the study use detailed data of 21 microinsurance programs provided by the Performance Indicators Working Group of the Microinsurance Network. Unlike other statistical models, frontier efficiency analysis incorporates social output indicators into the model along with financial indicators. It is particularly advantageous in its ability to summarize performance in a single statistic that controls for differences among firms using a multidimensional framework. Their findings indicate that there is significant improvement potential in terms of productivity and efficiency of many programs. The utility of such a model is important since the sustainability of microinsurance programs depends upon commercial investment and professional management to replace donors and government subsidies.

6. Brown, T. (2010, October 1). Microinsurance: Little by little. *The Actuary.*

- Key Words: achieving scale, profitability
- Product: various
- Abstract: This article is an interview with actuarial associate Lisa Morgan of Milliman, Inc., one of the world's largest independent actuarial and consulting firms, on the emergence of microinsurance and its benefits for developing countries. Morgan argues that while microinsurance can protect the poor in developing countries from financial ruin, it can also be an opportunity for commercial insurers to expand their markets and diversify sources of profits. In order to be profitable, microinsurance business models should be comparable to that of retail giant Wal-Mart's "low-margin/high-volume" scheme. Because of this low-margin high-volume strategy, she emphasizes that pricing must be as accurate as possible. As long as growth in revenues, i.e. premiums, is greater than growth in incremental costs (and claims paid), microinsurance can profit via scalability. Profitability depends further on type of products, delivery and distribution mechanisms, pricing, and disaggregation of costs from micro vs. macro policies. The author references the cases of AIG Uganda and Madison Insurance in Zambia as evidence of successful vs. unsuccessful programs, respectively, in terms of profitability.

7. Brown, W. (2001). Microinsurance - The Risks, Perils and Opportunities. *Small Enterprise Development, 12*, 11-24.

- Key Words: distribution, product issues
- Product: various
- Abstract: "The article argues that vulnerability does not translate directly into demand for microinsurance and MFIs lack the skills and resources to develop or manage all but the most basic products. The article asks whether clients are interested in reducing vulnerability to risk through insurance or other means and about their willingness to pay. It defines principles of what can and cannot be insured, indicating areas of concern such as inadequate numbers of policyholders, specification of risks, covariant and localized risks, controls on moral hazard, balancing risks and controls to prevent adverse selection. The article focuses on potential of partnerships with larger insurance providers and offers a review of micro insurance components for review such as: pricing and actuarial analysis, marketing, underwriting, investment management and claims management regulatory compliance. This article concludes that if an MFI is to develop an insurance product, it is best to start with a very limited product, developed and managed in partnership with an established insurer. Over time they may consider taking the product in-house." (Begum, 2007)

8. Brown, W., & Churchill, C. (2000a). Providing insurance to low-income households: Part 1: A primer on insurance principles and products. Bethesda, MD: USAID Microenterprise Best Practices Project.

- Key Words: regulation, distribution, achieving scale, composite products, reinsurance
- Product: various
- Abstract: "This paper has been written primarily for managers and directors of microfinance institutions that either offer insurance or plan to develop an insurance product for low-income households. It sees that the provision of insurance might create a win-win situation where clients experience a reduction in vulnerability to risk. Insurance is a promising response to risks which cause losses that are beyond the means of the poorest and pools the risks faced by low-income households. In the drive for sustainability or profitability, MFIs are diversifying their lines of financial products and insurance has the potential to improve profitability by reducing loan losses and replacing clients' need to draw down savings for emergencies. MFIs can benefit from an additional source of capital for lending or fee-based income as agents. However there are obstacles to serving the low-income market that require innovations in product design, delivery mechanisms, and marketing. The document offers six components towards an analysis of microinsurance. It concludes with three points that clarify the insurance field. Insurance involves pooling risk over a number of participant groups and it is not, like dowry and marriage 'insurance', a savings product. It may be secondary to saving enough money to protect from economic shocks and is most appropriate for uncertain and expensive losses. Insurance products range from fairly straightforward to very complex and should involve experts." (Begum 2007)

9. Brown, W., & Churchill, C. (2000b). Insurance provision to low-income communities: Part II: Initial lessons from micro-insurance experiments for the poor. Bethesda, MD: USAID Microenterprise Best Practices Project.

- Key Words: regulation, distribution, achieving scale, risk management, product issues, understanding of insurance, trust and service, profitability, business models, voluntary vs. compulsory
- Product: life, health, and property (discussed separately)
- Abstract: This paper is written primarily for managers and directors of MFIs that offer or plan to develop microinsurance products. It analyzes current practices in relation to the principles identified in Brown & Churchill (2000a) involved in offering insurance to the low-income market. Using evidence from 32 MFIs, cooperatives, private companies, and other organizations with insurance products, this report documents the current state of microinsurance and identifies emerging lessons. The paper describes life, health, and property insurance, and discusses issues specific to each of these. It then covers the four key issues of regulation-reinsurance, investment management, and inflation- that affect all types of insurance. The paper concludes by summarizing the lessons learned and obstacles faced by microinsurance providers.

10. Brown, W., Green, C., & Lindquist, G. (2000). A cautionary note for microfinance institutions and donors considering developing micro insurance products. Bethesda, MD: USAID Microenterprise Best Practices Project.

- Key Words: distribution issues, business model
- Product: various
- Abstract: "The paper states that protecting poor clients from risks, reducing micro finance institutions (MFIs) loan defaults, and earning additional income for MFIs loan portfolio are some of the reasons for the flood of initiatives by MFIs to develop insurance products (microinsurance) for the low-income market. It highlights the reasons why most MFIs should not provide insurance themselves and identifies alternatives that are more appropriate for MFIs, but still addresses clients' need for improved risk management. It discusses the potential market for micro insurance, how to respond to client demand through partnership, and insurer capabilities. It concludes that although the poor are highly vulnerable to a variety of risks, this vulnerability does not necessarily translate into a demand or need for insurance. It also concludes that vast majority of MFIs lack the expertise required to price products effectively, do not have the resources to support an insurance product, and are too small to achieve sufficient pooling of risk." (Begum, 2007)

11. Brown, W., & McCord, M.J. (2000). Summary of discussions: USAID MBP virtual conference on microinsurance. Bethesda, MD: USAID Microenterprise Best Practices Project.

- Key Words: donor and government funding
- Product: various
- Abstract: "This document summarizes discussions and recommendations of the conference addressing four areas: demand, the provision of microinsurance products, the role of donors and an initial list of potential next steps. Poor households are highly vulnerable to risk and MFIs can play a more active role in reducing or protecting against this vulnerability. Insurance is one among many potential MFI strategies for assisting clients to manage vulnerability. Poor households' exposure to risk does not equate directly to a demand or need for insurance. Savings clearly also has a role to play in risk management. The appropriate role for savings versus insurance is not well understood. There is much to be learned about how to overcome key obstacles in insuring low-income populations from successful informal insurance schemes. Standard practices of formal insurers are often inappropriate to the micro-market and creative solutions are required that can address this issue without jeopardizing financial viability. Initially, layering insurance onto existing financial services (e.g. credit or savings) has significant potential benefits for MFIs. Marketing insurance in low-income communities is more of a challenge than marketing credit or savings." (Begum, 2007)

12. Churchill, C. (ed.). (2006). *Protecting the poor: A Microinsurance compendium*. Geneva, Switzerland: International Labor Organization.

13. Churchill, C. (2007). Insuring the low-income market: Challenges and solutions for commercial insurers. *The Geneva Papers, 32*, 401–412.

- Key Words: regulation, distribution, risk management, product issues, understanding of insurance, dual bottom line,
- Product: various
- Abstract: This paper discusses both the challenges faced by insurance companies when targeting low-income markets for the provision of microinsurance as well as strategies to overcome these challenges. Microinsurance is distinct from traditional insurance in that it is targeted toward low-income persons. The profit potential in the insuring low-income market is based on volume and the Law of Large Numbers. To be successful, insurance carriers must identify and address the unique needs and concerns of poor clients. Commercial insurers have many advantages over specialized agencies such as licenses, capital, and management expertise to handle a large portfolio of small policies. By educating the market on the value of microinsurance and gaining their trust and loyalty, commercial insurers can cultivate a market of low-income policyholders into consumers with higher income and thus greater demand for more sophisticated products generating higher commissions.

14. Churchill, C., & Pepler, T. (2004). TUW SKOK Poland: CGAP Working Group on Microinsurance: Good and bad practices on microinsurance: Case study no. 2. Geneva, Switzerland: ILO Social Finance Programme.

- Key Words: regulation, distribution, transaction costs, product issues, composite products, reinsurance
- Product: deposit insurance and loan protection offered to credit unions; loan protection, life savings and funeral insurance offered to individual members
- Abstract: "This study discusses micro insurance services being provided by TUW SKOK. The study argues that TUW SKOK, though purposefully does not provide microinsurance, it provides insurance services to a niche segment that is below the reach of other insurance companies in Poland. The study outlines the key lessons that could be learned from the experience of TUW SKOK: TUW SKOK's structure is largely organized around an outsourced model with the central agency being a brokerage agency owned by TUW SKOK, credit unions and the foundation; TUW SKOK followed a staggered marketing practice. It first catered to the credit union, and only after establishing itself did it service the retail industry; it has ensured access to a captive market by its partnership with the credit unions. Greater sales success can be achieved if the product is integrated with the activities of the credit union staff. Incentives should be biased toward the union rather

Appendices

than the staff to ensure large management buyout in the sale process. TUW SKOK products are very simple in design and hence easy to administer. Almost all TUW SKOK product s have monthly payment alternative to facilitate affordability. Credit union partnership ensures that premium collection is simple and is done by the credit union. TUW SKOK has an innovative saving completion product that is a contractual savings product with the insurance being provided between the goal of saving and what has actually been saved in case of death or disability." (Begum, 2007)

15. Dercon, S., Kirchenberger, M., Gunning, J. W., & Platteau, J.-P. (2008). Literature review on microinsurance: Microinsurance paper no. 1. International Labour Organisation

- Key Words: literature review
- Product: n/a
- Abstract: This paper provides an overview of the current state of research on microinsurance divided into four different parts, each of which references work relevant to different stakeholders. The first part deals with the link between risk and poverty; the second on evaluating the impact of insurance on welfare outcomes; the third on demand for insurance; and the fourth part presents supply side challenges. The fourth part is particularly informative to commercial investors who seek to determine the potential for profit in microinsurance. This section highlights two key supply side issues: developing and pricing microinsurance products and the relevant institutional models and delivery channels. Conclusions based on the reported research suggest that no model is definitively superior in terms of delivery and that more research is needed in this area as well as in the area of marketing, sales and incentives for agents.   Less tentative is the notion that above all else, trust and customer retention are the key elements to the sustainability of microinsurance programs.

16. Dror, D. M., & Armstrong, J. (2006). Do Micro Health Insurance Units Need Capital or Reinsurance? A Simulated Exercise to Examine Different Alternatives. *The Geneva Papers, 31*, 739-761.

- Key Words: achieving scale, reinsurance, government funding
- Product: health microinsurance
- Abstract: "The purpose of this article is to provide a technical discussion of capital loading that ''micro health insurance units'' (MIUs) must add to the premium to maintain financial sustainability. MIUs offer benefit packages and require prepayment, that is, they create a rudimentary community-based health insurance for poor people in low-income countries. We broke up the 2001 data set of a health insurer containing upward of 1.3 million insured into 535 ''virtual MIUs'', and running 1,005 iterations, we got a data yield of 537,675 virtual MIUs. Capital loading levels increased steeply with decreasing group size and higher confidence levels. The impact of group size remains strong even with groups of 25,000 plus, and is stronger than the impact of changes in confidence levels. We discuss options to correct size-related premium bias through government subsidies, and conclude that reinsurance is cheaper than capital loading and a preferable solution for governments compared to other alternatives." (Dror & Armstrong, 2006, abstract)

17. European Business Review. (2010). *Micro insurance: A safety net with too many holes?* Retrieved from http://www.europeanbusinessreview.com/?p=1284.

- Key Words: regulation, achieving scale, risk management, product issues
- Product: various
- Abstract: This article outlines the struggles microinsurance has faced, and highlights lessons from micro lending that may address these problems. It describes the importance of achieving scale, winning customers' trust, tailoring products, and educating potential customers, citing examples from existing microinsurance schemes.

18. Garand, D. (2005). VimoSEWA, India: CGAP Working Group on Microinsurance: Good and bad practices on microinsurance: Case study no. 16. Geneva, Switzerland: ILO Social Finance Programme.

- Key Words: India, achieving scale, risk management, silo
- Product: life, accident, health and asset insurance provided to SEWA members
- Abstract: "This case study focuses on the evolution of VimoSEWA, an insurance program

developed by SEWA, India, providing a voluntary integrated insurance product. The paper states that VimoSEWA is open to all members, whether or not they have a loan and provides life, accident, health and asset insurance. The paper also points to the important evolutions of understanding within VimoSEWA. For example, realization of the risk of insurance and the need to protect the scheme from major catastrophic events; necessity of developing a good management information system; importance of the business to set critical benchmarks; need to cultivate experienced microinsurance personnel, and efficacy of the assistance of an external actuarial and management consultant that helped the team to recognize problems; and to realize that solutions had to come from within the organization. The facts that product development must always consider the ability of members to pay for benefits and that obtaining a high renewal rate might be difficult because of the widely dispersed membership. The paper concludes that creditor insurance remains the easiest type of microinsurance to implement. However, it is not effective in covering the basic needs of the low-income community for health and life insurance. VimoSEWA's product and delivery channels represent an alternative that is harder to manage and takes longer to achieve viability, but in the end is likely to achieve a significantly greater development impact." (Begum, 2007)

19. Garand, D., & Wipf, J. (2006). Pricing microinsurance products. In C. Churchill (Ed.), *Protecting the poor: A microinsurance compendium* (238-253): Geneva, Switzerland: International Labour Organisation.

- Key Words: product issues, quality of data
- Product: life and health
- Abstract: This chapter illustrates how insurance products are priced and how to design and maintain databases so that they can be used for pricing purposes and sound management. It also highlights examples of microinsurance pricing derived from case studies. The discussion is particularly relevant for unregulated microinsurance schemes that carry their own risk, but also for organizations that distribute products underwritten by insurance companies because if distribution channels understand pricing, they will be more adept in managing data and negotiating with insurers. The authors conclude that pricing is a highly technical matter that requires assistance from an actuary, who must consider the whole package – target market, product design, marketing and communication, administration and claims service – to set an appropriate premium.

20. Giné, X., Menand, L., Townsend, R., & Vickery, J. (2010). Microinsurance: A case study of the Indian rainfall index insurance market. World Bank Policy Research Working Paper No. 5459. Washington, DC: World Bank.

- Key Words: India, regulation, composite products, voluntary vs. compulsory, government funding
- Product: rainfall index microinsurance
- Abstract: "Rainfall index insurance provides a payout based on measured local rainfall during key phases of the agricultural season, and in principle can help rural households diversify a key source of idiosyncratic risk. This paper describes basic features of rainfall insurance contracts offered in India since 2003, and documents stylized facts about market demand and the distribution of payouts. The authors summarize the results of previous research on this market, which provides evidence that price, liquidity constraints and trust all present significant barriers to increased take-up. They also discuss potential future prospects for rainfall insurance and other index insurance products." (Giné et al. 2010, abstract)

21. Hazell, P., Anderson, J., Balzer, N., Hastrup Clemmensen, A., & Rispoli, F. (2010). Potential for scale and sustainability in weather index insurance for agriculture and rural livelihoods. Rome: International Fund for Agricultural Development and World Food Programme.

- Key Words: regulation, distribution, technology, achieving scale, product issues, understanding of insurance, trust and service, business models, quality of data, reinsurance, donor and government funding
- Product: weather index microinsurance
- Abstract: This paper reviews recent weather index programs, their features, successes and challenges. Premium cost and limited understanding of insurance have

hindered implementation. Private insurers are constrained from entering the market by the "first mover" problem, so the public sector and NGOs have taken the lead. The authors suggest support areas for public and private donors, and outline eight principles to help index insurance achieve scale and sustainability.

22. Herrndorf, M. (2010, June 15). The ugly duckling turned rich – LeapFrog's approach to microinsurance. *Next Billion*. Retrieved from http://www.nextbillion.net/blog/leapfrogs-approach-to-microinsurance.
- Key Words: dual bottom line, profitability, donor and government funding
- Product: various
- Abstract: This article looks at LeapFrog Investments as an example of the potential for commercial success in microinsurance. Leapfrog characterizes itself as the first dedicated microinsurance fund. Investors have contributed $137 million to the fund which employs a "double bottom line" approach. In other words, their investment has both a social as well as commercial aim. Despite the acknowledgement that certain products are invariably more profitable, e.g. life insurance, the firm still intends to take on other large scale, high risk projects, such as health and natural disaster insurance, in order to satisfy their dual strategy of making a social impact while still yielding attractive returns.

23. Hill, R. V., & Robles, M. (2010). Flexible insurance for heterogeneous farmers: results from a small scale pilot in Ethiopia.
- Key Words: understanding of insurance
- Product: weather index microinsurance
- Abstract: "We analyze the effectiveness of a new approach in providing weather index based insurance products to low income populations. The approach is based on the concept of providing multiple weather securities that pay a fixed amount if the event written on the security (that monthly rainfall at a nearby weather station falls below a stated cut-off) comes true. The securities have three characteristics-simplicity, flexibility, and inclusivity- that can encourage stronger take up rates than the ones observed for current weather index based insurance policies. A theoretical model is developed to outline the conditions in which weather securities could outperform crop-specific weather index based insurance policies. Data collected during both an experimental game and real purchases of such insurance policies among farmers in southern Ethiopia suggests that the securities are well-understood and can fit heterogeneous farmers' needs. This paper documents: (i) understanding of securities among participants, (ii) transmission of information about weather securities among members of endogenously formed risk sharing groups, and (iii) the nature and manner of purchase decisions made.

24. Hintz, M. (2010). The 100 million dollar baby, successful scale-up of Allianz micro-endowments. Speech presented at 6th International Microinsurance Conference 2010, Hotel Intercontinental, Manila, Philippines.
- Key Words: Indonesia, achieving scale, segmentation
- Product: Life insurance with a savings component offered by Allianz
- Abstract: This PowerPoint presentation describes the success story of commercial micro-endowment insurance offered by Allianz Life Indonesia. Allianz analyzed customer need and demand for microinsurance when designing the product. Hintz describes the product, distribution channels, how it was successfully scaled up, and how lessons from this product can be applied to others.

25. International Association of Insurance Supervisors (IAIS) & CGAP Working Group on Microinsurance. (2007). Issues in regulation and supervision of microinsurance.
- Key Words: regulation
- Product: various
- Abstract: "This paper attempts to explain the current status in microinsurance, its importance in developing inclusive financial systems, and the need for professional regulation and supervision. In this attempt it also identifies issues and challenges in developing an enabling regulatory framework for promoting microinsurance in line with the International Association of Insurance Supervisors (IAIS) Insurance Core Principles (ICPs). The paper draws upon the practical experience of insurance supervisors and microinsurance experts. According to the

paper, microinsurance refers to "servicing specifically the low-income population". An effective financial market infrastructure is the weakest link in providing an enabling environment and a level playing field for microinsurance providers and customers. If an appropriate mix of incentives and disincentives can be provided, a well functioning and adequate supervisory system can be implemented to support the development of inclusive insurance markets." (Begum, 2007)

26. International Association of Insurance Supervisors (IAIS) & CGAP Working Group on Microinsurance. (2010). Issues paper on the regulation and supervision of mutuals, cooperatives and other community-based organizations in increasing access to Insurance Markets.
- Key Words: regulation, distribution
- Product: various
- Abstract: This paper describes the characteristics of mutuals, cooperatives, and other community-based organizations (MCCOs) and their role in providing access to microinsurance. It goes on to describe specific issues that arise in the regulation and supervision of MCCOs, based on the IAIS Insurance Core Principles (ICPs).

27. Kalavkonda, V. (2010). Monitoring microinsurance trends globally: Global database on microinsurance. Speech presented at 6th International Microinsurance Conference 2010, Hotel Intercontinental, Manila, Philippines.
- Key Words: quality of data, distribution, profitability
- Product: various
- Abstract: This presentation describes the Global Microinsurance Benchmark Database, an online information platform that tracks the changes, gaps, and growth in product value, market size, financial and operational performance across different types of microinsurance providers. The objective of the database is to collect, analyze and report data without bias with respect to business model, delivery channel, or products. The first phase, which collected information from 161 microinsurance providers, was implemented by the World Bank. Data points included outreach (number of lives insured), volume and value of Gross Premium (product-wise),volume and value of claims paid (product-wise), and types of distribution channels and type of products retailed by different channel.

28. Lacey, D. (2010). *A Business Case for Microinsurance*. Speech presented at 6th International Microinsurance Conference 2010, Hotel Intercontinental, Manila, Philippines.
- Key Words: regulation, achieving scale, risk management, reinsurance, voluntary vs. compulsory, donor and government funding
- Product: various
- Abstract: This presentation describes how the microinsurance market can attract commercial insurers with profitable and sustainable products. Developing a sustainable microinsurance proposition depends on balancing coverage, affordability, and costs. The presentation presents a framework for assessing the financial viability of microinsurance initiatives within the context of these objectives. It describes circumstances under which microinsurance initiatives can be profitable for commercial insurers, financial measures of the profitability of microinsurance initiatives, key drivers of profitability, internal structure and strategy of the insurer, and the environmental circumstances that impact profitability.

29. Leftley, R. (2010). Field notes – credit life: It's supposed to be simple! MicroEnsure.
- Key Words: distribution, product issues,
- Product: credit-life
- Abstract: This article describes the experience of MicroEnsure in providing credit-life products. It outlines key issues related to product design, distribution, and claims processing, and complications that arise in these areas.

30. Lloyd's 360° Risk Insight: Insurance in developing countries: Exploring opportunities in microinsurance. (2010). Lloyds & the MicroInsurance Centre.
- Key Words: regulation, distribution, technology, transaction costs, trust and service, profitability, business models
- Product: various
- Abstract: This article describes the potential market for microinsurance, and the rationale

for commercial insurers to enter the market. Trends that will shape the future of microinsurance include economic growth, urbanization, financial sector development, climate change, the rapid pace of product and logistics innovation, and innovative use of communication and information technology. The article discusses effective product design and distribution, and the roles donors and governments can play as facilitators.

31. Manje, L. (2005). Madison Insurance, Zambia: CGAP Working Group on Microinsurance: Good and bad practices on microinsurance: Case study no. 10, Geneva, Switzerland: ILO Social Finance Programme.
- Key Words: regulation, distribution, understanding of insurance, profitability, business models, silo, voluntary vs. compulsory
- Product: credit life and funeral
- Abstract: "This case study documents the experience of Madison Insurance Zambia Limited (Madison) in providing insurance to MFI clients through a partner-agent model. The paper discusses the steady expansion of micro-insurance provision in Zambia; credit life and funeral coverage as the main insurance products; the difficulty in tracking the impact of HIV/AIDS on portfolio quality; the MFIs that Madison works with; and the lack of a regulatory framework for micro-insurance. The paper discusses how partnering with MFIs has helped both Madison and the MFIs. It then presents a number of lessons for the provision of micro-insurance through the partner-agent model. In this case, the insurer should expand its role to include client education, marketing and assessing client satisfaction. MFIs should ensure that clients understand exactly how much they are paying for insurance. Staff responsible for servicing insurance products should receive adequate training to enable them to effectively educate clients. Insurance should be well marketed and funeral insurance could be made voluntary, especially if it is covering other family members. There should be no link between insurance benefits and loan repayments. The MFI should check whether it has the capacity to act as an agent of insurance and profit sharing seems to work better than giving the MFIs a commission for their efforts." (Begum, 2007)

32. Manuamorn, O. P. (2007). Scaling up microinsurance: The case of weather insurance for smallholders in India. Agriculture and Rural Development Discussion Paper 36, Washington DC: World Bank.
- Key Words: India, technology, achieving scale, understanding of insurance, quality of data
- Product: rainfall index microinsurance
- Abstract: This study uses the successful case of BASIX rainfall index insurance program, which began as a pilot program in 2003 to make the case for scaling up weather insurance for smallholder farmers in India. The author identifies several factors from the pilot which facilitated the expansion both geographically and in numbers of beneficiaries and which could be applied to other microinsurance programs in developing programs. Among these factors were: the ability to communicate effectively with village farmers in order to gain trust and obtain feedback; maximizing cost-effectiveness, productivity and efficiency of delivery through a holistically oriented staff and strong delivery channel; and keen attention to implementation details necessary for the technical and administrative infrastructure of a scaled-up program.

33. McCord, M. J. (2002). The Lure of MicroInsurance: Why MFIs Should Work with Insurers. MicroInsurance Centre.
- Key Words: regulation, business models
- Product: various
- Abstract: "This paper addresses the issues related to the provision of microinsurance products by micro finance institutions (MFIs) in partnership with formal insurers. The paper cautions MFIs against foraying into the microinsurance market with their limited capacity. The paper points out the risks presented to the sustainability of a MFI when it forays in the insurance sector, the lack of adequate skills and capacity with the MFIs to handle insurance products. The paper cites four reasons for MFIs and donors to tread carefully in microinsurance sector. Firstly, requirement of specialized skills, institutional capacity, experience, risk management techniques and analytical abilities for insurance business. Secondly,

risks in mixing insurance provision with other financial services like credit and savings. Thirdly, skewing of assessment of institutional capacities by donor presence. Finally, weak regulatory and supervisory norms of MFIs becoming detrimental for insurance business." (Begum, 2007)

34. McCord, M. J. (2005a). Microinsurance: Providing profitable risk management options for the low-income market. Microinsurance Centre, Presentation at Financial Sector Development Conference "New Partnerships for Innovation in Microfinance," Frankfurt, June 23-24.
- Key Words: technology, product issues, understanding of insurance, donor funding
- Product: various
- Abstract: "This presentation examines the role of micro insurance in providing profitable risk management options for the low-income market. The presentation states that emerging markets will emerge as the frontier for insurance in the 21st century. The low income population faces a number of risks such as the death of an income earner, health expenses, and property loss. There is a need to identify risks, assess them and set out risk management strategies for the poor. It states that 'Microinsurance' refers to risk-pooling products that are appropriate for the low-income market in terms of costs, coverage and delivery mechanisms. Sales to the low-income market are difficult because of lack of knowledge, limited resources and difficult access - these problems can be solved with appropriate products, good prices, education and accessibility. There is a need to look at the basic premium components that would make micro insurance work. The presentation also states that investors have various options such as microinsurance brokerage, microinsurance company replication. In this case, key considerations for the future would include new delivery channels, remittances and electronic efficiency." (Begum, 2007)

35. McCord, M. (2005b). What is needed for microinsurance success? Presentation, MicroInsurance Centre.
- Key Words: regulation, distribution, product issues, profitability
- Product: various
- Abstract: "This presentation discusses key issues to generating microinsurance success, focusing on products, delivery channels, regulation and supervision. The presentation describes an institution where insurance is best managed. It lists the key lessons for product design, product delivery, evolution and management and governance. Finally, the presentation concludes that microinsurance can be profitable depending on efficiencies, controlling operations costs, separate microinsurance activities, risk management quality, and microinsurance can respond to the needs of the low-income market." (Begum, 2007)

36. McCord, M. J. (2006). The Partner-Agent Model: Challenges and Opportunities. In C. Churchill (Ed.). *Protecting the Poor: A Microinsurance Compendium* (357-376): Geneva, Switzerland: ILO.
- Key Words: distribution, transaction costs, business models, voluntary vs. compulsory
- Product: various
- Abstract: This chapter describes the partner-agent model, explains how it works, and reviews its challenges and opportunities. It focuses on MFIs as agents, describing the importance of finding appropriate agents, clarifying parties' roles and efficiency in implementation. It also describes the potential advantages and disadvantages of using the partner-agent model from the perspective of the agent, insurer, and clients. The conclusion is that the model, while flawed, has significant potential.

37. McCord, M. J. (2008). Visions of the Future of Microinsurance, and Thoughts on Getting There, Microinsurance Note #9. DAI.
- Key Words: technology, achieving scale, donor and government funding
- Product: various
- Abstract: This paper addresses the achievements necessary to generate massification in the microinsurance field and the innovations necessary to reach those achievements. Drawing on case studies and views of experts in the field, it describes business models, the role of infrastructure and technology, and the roles of donor and government funding.

38. McCord, M. J., Bolero, F., & McCord, J.

S. (2005). AIG Uganda, A Member of the International Group of Companies: CGAP Working Group on Microinsurance: Good and bad practices on microinsurance: Case study no. 9. Geneva, Switzerland: ILO Social Finance Programme.

- Key Words: Uganda, distribution, achieving scale, understanding of insurance, profitability, reinsurance, silo, voluntary vs. compulsory
- Product: group personal accident
- Abstract: “In 1996, the management of FINCA Uganda (FU), a microfinance institution (MFI), approached the American International Group (AIG) Uganda to develop an insurance product for the MFI’s clients. A basic product was launched in 1997, and an expanded version of the product, including coverage for the spouse and four children, was introduced in 1999. Eight years after AIG Uganda became involved in microinsurance, this case study looks at what has become a success story in several ways. For the microfinance clients, AIG’s group personal accident (GPA) product has been useful and affordable in managing traumatic lifecycle events. Ugandan MFIs that participate in the scheme have generated revenues and helped improve loan portfolio quality. AIG Uganda has seen this product become its number one generator of revenue and profits to the extent that it has attracted attention across the region for AIG International. On a macro-level, the success of this programme has benefited both Uganda and the global microfinance community. Besides the importance of actively managing product evolution, several other lessons have been learned since the product inception in 1997, including: a microinsurance product can be developed and implemented reasonably well without external funding, and MFIs must represent their clients in negotiations related to the insurance product.” (Begum, 2007)

39. McCord, M. J., & Churchill, C. (2005). Delta Life Bangladesh: CGAP Working Group on Microinsurance: Good and bad practices on microinsurance: Case study no. 7. Geneva, Switzerland: ILO Social Finance Programme.

- Key Words: Bangladesh, transaction costs, distribution, composite products, dual bottom line, quality of data, segmentation
- Product: life microinsurance
- Abstract: “Delta Life Insurance Company was founded in late 1986 soon after the denationalization of the Bangladesh financial sector. Delta Life’s initial products consisted primarily of endowment policies. In 1988, inspired by the growing success of the Grameen Bank and other microcredit schemes in Bangladesh, Delta launched an experiment of its own, Grameen Bima or village insurance. Delta then developed its own delivery network and quickly realized the benefits of selling its own policies. Subsequently it developed and introduced an urban microinsurance project, Gono Bima, which offered a similar endowment product. In 1991, the company began introducing loans to complement the endowment policy. The loans were intended to stimulate additional income for policyholders, which would help to promote their economic development while making it easier for them to pay their premiums. This proved disastrous. Repayment fell to about fifty percent and Delta was left with a significant loan loss. In the mid to late 1990s, Delta Life’s microinsurance programmes experienced astonishing growth. Together, Grameen and Gono Bima grew from less than 40,000 new policies issued in 1994 to more than 450,000 policies issued in 1998. As the decade came to a close, however, Delta felt the effects of this reckless growth. The rapid expansion revealed significant weaknesses in information systems, internal controls and administration. Profits were also slow to come, or at least that was the impression. In 2002, Delta’s board decided to spin off Gono and Grameen Bima into a non-profit company. However, after an actuarial report later that year showed that the microinsurance projects were actually contributing to profits, it was decided to retain the projects and reorganize them for greater efficiencies. A reengineering of the microinsurance operations in 2002 and 2003 included the improving internal controls and upgrading information systems to provide better analytical information .The case study also examines lessons that Delta Life has learned in building its institutional capacity and designing and delivering its products over the past two decades.” (Begum, 2007)

40. McCord, M. J., Isern, J., & Hashemi, S.

M. (2001). Microinsurance: A Case Study of an Example of the Full Service Model of Microinsurance Provision Self-Employed Women's Association (SEWA). MicroSave.

- Key Words: India, distribution, product issues, understanding of insurance, trust and service, profitability, business models, voluntary vs. compulsory, donor and government funding
- Product: composite life, disability, health, and property microinsurance
- Abstract: “Using case studies, this paper discusses the provision of insurance products to the poor, delving into the mechanisms and practicalities of the Full Service model, as well as an indication of the level of satisfaction of their market. The document identifies the benefits and problems and reviews the process by which a product was developed, tested, and implemented to provide information on the process itself. It examines issues in the product cycle and looks at the four general models (Partner-Agent, Full-Service, Mutual and Provider) of insurance provision used by organizations. This document also explores the impact of grants on sustainability of insurance programmes. Specifically, it presents the findings of a recent research on the Self-Employed Women's Association (SEWA) that provides Full Service Model of insurance provision to its clients, reviewing its activities primarily within its role as a full service insurer. The authors find that SEWA offers a broad range of insurance coverage (life, disability, health, and property) under one premium with life coverage provided as an agent and the others provided under a full service model. However, they question the impact of health insurance on clients given the amount of time it takes from hospital discharge to receipt of the claim proceeds. The paper reveals that the services of SEWA have helped them to become more autonomous and self-reliant and concludes that as a stand-alone product, the SEWA insurance is too limited to make a significant impact. However, as a component of an integrated system within the broad SEWA structure, they are able to improve the overall effectiveness of their care for members. Thus linking insurance to the SEWA Bank has produced important benefits.” (Begum, 2007)

41. McCord, M. J., Ramm, G., & McGuinness, E. (2006). Microinsurance Demand & Market Prospects – Indonesia. Allianz AG, The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH & United Nations Development Programme (UNDP).

- Key Words: Indonesia, distribution, achieving scale
- Product: various
- Abstract: “With 238 million people, Indonesia has one of the largest populations in the world, in which a great number of people are self-employed in low-income activities. While people in the low-income segment benefit from the provision of financial services such as credit and savings, these services are not always enough to support families during crises. This fact led to the study conducted by Alliance AG, GTZ and the UNDP on the potential for microinsurance in Indonesia. The study aimed to estimate the demand for microinsurance in Indonesia, understand the potential supply and risk-takers and become aware of the different delivery channels. The study found that despite the demand for microinsurance, very few insurance providers had tapped the market. However, they did look at potential partners with microinsurance providers: people’s Credit Bank, commercial Banks, microfinance providers and village banks. The study concludes that in order for microinsurance interventions to take place in Indonesia, capacity development for agent training and market education is necessary.” (Begum, 2007)

42.Roth, J. (1999). *Informal Micro-finance schemes: The case of funeral insurance in South Africa.* Social Finance Unit working paper no. 22. Geneva, Switzerland: ILO.

- Key Words: regulation, distribution, understanding of insurance
- Product: funeral insurance
- Abstract: “This article looks at how the bereaved cover funeral expenses from a number of sources including informal credit, informal insurance and friendly societies. Two main types are for-profit and not-for-profit. For profit, typically run by owners of funeral parlours who sell insurance schemes for relatively expensive services to low-income households and not-for-profit, similar to ROSCAs, formed by those living in the same neighborhood. Detail of obtaining credit is

Appendices

given in terms of cost components by amount, cash flow, flexibility of premium payments and complexity of transactions, privacy issues, and the specific coverage details. The processes of obtaining finance are listed as: selling assets, credit - trader credit, ROSCAs, moneylenders, informal lenders and formal banks, savings, gifts, insurers - formal and regulated insurers, formal friendly societies, informal non-profit insurers and informal for-profit insurers. It concludes that there is a need for local knowledge, transaction simplicity, low-value comprehensive policies rather than high-value policies with exclusions, flexible premium payments, payout in cash and a kind and favorable legislative framework." (Begum, 2007)

43. Roth, J., & Athreye, V. (2005). *TATA-AIG Life Insurance Company Ltd. India:* CGAP Working Group on Microinsurance: Good and bad practices on microinsurance: Case study no. *14*. Geneva, Switzerland: ILO Social Finance Programme.

- Key Words: distribution, risk management, understanding of insurance, trust and service, profitability, reinsurance, silo
- Product: life microinsurance
- Abstract: This paper examines the micro-agent CRIG (Community Rural Insurance Group) Model applied by TATA-AIG for providing microinsurance in India. Insurance regulations in India require that a certain proportion of insurance policies be sold in the rural and social sectors. The high level of poverty in the rural sector creates the need for microinsurance. Insurers thus rely on the sale of microinsurance in order to sell other more profitable products. Although there may be a lack of education and/or reservations about commercial insurance companies, TATA is well-known and trusted in India which can enhance demand for microinsurance in poor communities. While the authors state that microinsurance is not likely to be a significant contributor to profits of large commercial carriers, microinsurance can help mitigate risks to the livelihoods of poor clients, making them potential high-premium clients in the future.

44. Roth, J., McCord M. J., & Liber, D. (2007). *The Landscape of microinsurance in the world's 100 poorest countries*. Appleton, WI: The Microinsurance Centre, LLC.

- Key Words: regulation, distribution, achieving scale
- Product: various
- Abstract: This report reviews how microinsurance works and provides a detailed quantitative overview of microinsurance in the world's 100 poorest countries. It describes types of insurers, products, delivery channels, relevant regulations, and donors. Appendices to the report describe in detail the various types of products and distribution channels.

45. Smith, A., Chamberlain D., Hougaard, C., Smith, H., & Carlman, J. (2010). *Reaching the client: Update on microinsurance innovation in South Africa*. Bellville, South Africa: The Centre for Financial Regulation and Inclusion.

- Key Words: South Africa, regulation, distribution, technology, risk management
- Product: various
- Abstract: This study describes the microinsurance market in South Africa, focusing on innovative distribution channels and using information gathered during interviews with microinsurance providers and organizations entering the insurance distribution space, as well as publicly available information and earlier FinMark Trust research reports.

46. Swiss Reinsurance Co., Ltd. Economic Research and Consulting. (2010). Microinsurance for 4 billion people. Sigma study no. 6.

- Key Words: regulation, technology, understanding of insurance, business models, reinsurance, donor and government funding
- Product: various
- Abstract: This study describes the current and potential microinsurance market, including product characteristics and distribution tools. It identifies key issues and challenges in expanding the market. For the poorest segment of society, the authors note that government may play a role through public private partnership projects.

47. Wipf, J., & Garand, D. (2010). Performance indicators for microinsurance: A handbook for microinsurance practitioners, 2nd edition. Luxembourg: ADA.

- Key Words: trust and service, business models, dual bottom line
- Product: various
- Abstract: This document identifies nine

principles that are integral to management of a microinsurance program and ten key performance indicators (KPIs) for microinsurers. It describes some special considerations to be given in evaluating certain products for the partner-agent model, and discusses benchmarking and social performance.