



“Developing partnerships to insure the world’s poor”

A DISCUSSION PAPER:

**Defining “Microinsurance”:
Thoughts for a journey towards a
common understanding**

By: Molly Ingram and Michael J. McCord

23 June 2011

v. 1.0

A Discussion Paper: Defining “Microinsurance”: A journey towards a common understanding¹

Molly Ingram and Michael J. McCord²

HISTORY

Before 2000, “microinsurance” was a term not well known and even less well defined, but over the last decade and even more so in the last few years a number of definitions have sprung up from regulators, donors, academics, and others. What is the evolution of “microinsurance” definitions as microinsurance itself has grown and a greater need for a clear definition has grown with it? Is there a reason for so many definitions, and what, if anything, should we do about it? The wide array of operating definitions indicates defining microinsurance is a complex task but one that people nonetheless consider important.

The first definition appears to have been published in 1999 by David Dror as part of “Micro-insurance: Extending Health Insurance to the Excluded.” He defined “micro” as “the level of society where the interaction is located, i.e. smaller than national schemes, and ‘insurance’ refers to the economic instrument.”³ In 2002 he continued to focus his definition in Social Reinsurance: A New Approach to Sustainable Community Health Financing, stating “microinsurance units [are] community-funded health insurance schemes that are neither commercial nor national. These microinsurers do not have access to resources and financial techniques of commercial insurance”. When microinsurance was in its infancy, it was mainly developed and managed through local-level community-based, which exemplifies Dror’s approach to microinsurance thus defining it through “characteristics of the processes by which schemes are created and administered.” However, as microinsurance developed, it grew beyond the local level, especially through the involvement of commercial insurers. In view of this historical context, one can understand how Dror’s definition of microinsurance was derived, but one can also see that the definition does not include the range of activities that most people would consider “microinsurance” today.

In 2000, the most comprehensive documentation to date on microinsurance was Warren Brown and Craig Churchill’s two-volume work, Insurance Provision in Low-income Communities. Nowhere in this work do they clearly define microinsurance, but, they suggest a definition in the title and contextually in the document. They refine the focus to “microinsurance” as insurance that is intended for the poor. They also broaden the definition away from only the local-level to now include commercial insurers and others. This approach to defining microinsurance as insurance for the poor developed over the following years as can be seen by the definition used in McCord’s

¹ This draft Discussion Paper is a draft that developed from an effort to compile various definitions of microinsurance to be used to facilitate a working session at the Microinsurance Network’s June 2011 member meeting in Königstein. It is hoped that members’ comments will help the paper to evolve into something that might be helpful to the broader microinsurance world.

² Molly Ingram is a Project Assistant at the MicroInsurance Centre where Michael J. McCord is the President. Comments are enthusiastically welcomed to mjmccord@microinsurancecentre.org.

³ All definitions referenced in the text are included below in the “Definitions” section.

2002 presentation “MFIs and Risk Management Tools for the Poor: An Introduction to MicroInsurance” that was given at the 5th Annual Conference of MicroLending Institutions.

In 2003 the consumer based definition was solidified by the Consultative Group to Assist the Poor (CGAP) Working Group on Microinsurance (now the “Microinsurance Network”), when they published the Preliminary Donor Guidelines for Supporting Microinsurance (Qureshi, Wohlner, McCord, and Patel) that stated “microinsurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved”. This CGAP definition has served as a basis for many other definitions such as the Microinsurance Network’s definition and Craig Churchill’s microinsurance compendium definition in 2006. Churchill’s work built on CGAP’s and expanded the definition to include product characteristics as well as consumer characteristics resulting in a separate set of microinsurance definitions.

TYPOLGY

Review of these initial definitions shows three major groupings in the way microinsurance, or more specifically “micro,” is defined. The first way, following Dror’s example, is by defining “micro” as the level of society (community-based groups as the insurers), which is in contrast to CGAP’s definition and definitions by others following in CGAP’s footsteps that use “micro” to indicate the consumers of microinsurance. The third and final application of “micro” is in reference to the product itself; this method has become common in country-based definitions of microinsurance. There are also many definitions that combine these three groups into a definition with multiple meanings of the word “micro”, the most common being definitions that apply “micro” as a characteristic of the consumer and the product, such as Churchill’s compendium definition.

The “micro” product-based definitions have been the most recent to develop and are mainly used by countries as part of microinsurance regulation. Some examples include Peru, India, Mexico, and Taiwan. As a result of the need for a very clear and transparent definition, regulators typically take a product-oriented approach to defining microinsurance. By establishing cost and coverage limits or other requirement for capital or training, regulators can attempt to control who has access to microinsurance and the level of risk involved in the market, and thus the sustainability of the microinsurance market. Without clear definitions, it is not possible to create special regulations and policies for “microinsurance” apart from “insurance.”

Regulators may be subject to pressure from other government organizations, such as social welfare or finance ministries, to keep premiums low enabling microinsurance to be used as a poverty alleviation tool. Donor organizations have similar motivations. Donors would like to use microinsurance as a way to reduce poverty, but in order to do so microinsurance must be made available to the low-income population. For these reasons, most donors take a more consumer-oriented approach to defining microinsurance, as was reflected in the Preliminary Donor Guidelines for Supporting Microinsurance.

This combination of interests in the product and the clients has led many organizations, countries, and academics to incorporate both elements into their definitions as seen in Churchill’s 2006 microinsurance compendium definition, which specifies that microinsurance should meet the needs of the low-income population and be affordable, i.e. have low premiums.

In the effort to establish a definition for microinsurance, organizations have not only had to determine what about microinsurance is “micro,” but they have also had to decide whether their

definition should be qualitative or quantitative or both. When a definition states “microinsurance” is to protect the low-income population or have a low-premium, the question becomes what constitutes “low”-income and “low”-premium. Many countries have addressed this by creating quantitative definitions. Brazil, for example, defines microinsurance as insurance for the low-income population, and then proceeds to define the “low-income” population. Brazil’s regulation states microinsurance is “the insurance protection provided by licensed entities within the country against specific risks which aims fundamentally to preserve the socio-economic and personal and family situation of the low-income population ...” and “the low-income population in Brazil, for specific microinsurance purposes, is the segment of the population which monthly income per capita is up to three [times] minimum wage national reference (US\$624)”.

The Philippines have taken a different quantitative approach, choosing instead to define the premium and coverage limits for microinsurance. The Philippines regulatory framework, like Brazil’s, first qualitatively defines microinsurance and then expands that the definition by adding quantitative criteria. The Philippines’ Department of Finance in 2010 established that “microinsurance is an activity providing specific insurance, insurance-like and other similar products and services that meet the needs of the low income sector for risk protection and relief against distress, misfortune and other contingent events ... with the following features: ... the amount of premiums, contributions, fees or charges, computed on a daily basis, does not exceed five (5) percent of the current daily minimum wage rate for non-agricultural workers in Metro Manila (USD 0.50), and the maximum sum of guaranteed benefits is not more than 500 times the daily minimum wage rate for non-agricultural workers in Metro Manila(USD 5,000)”.⁴

While many countries have begun to establish quantitative definitions, the benefits of doing so remain uncertain. It is difficult to evaluate the effectiveness of different microinsurance definition and regulation approaches because each country context is unique and thus no baseline has been established. However, even without a large source of information, many experts feel that microinsurance definitions have important implications for access to microinsurance and the regulation of microinsurance as they may be necessary to delineate a product category/business line that is subject to different regulatory treatment. Supervisors and legal experts argue that is imperative to clearly delineate microinsurance from insurance, and most would argue that this is only possible by referring to a monetary amount.

Peru provides an interesting case study for this. In 2007, Peru defined microinsurance to be insurance that did not cover more than USD 3,300 or did not have a monthly premium greater than USD 3.30. However, in 2009 the Superintendence of Peru approved a new regulation redefining microinsurance to consider its objective without setting limits to coverage or premiums. The first set of regulations was found deficient and was significantly revised in the second iteration. “The new definition is as follows: Microinsurance must respond to the protection needs of a specific insurance group [such as the low-income population], and the intermediary working with the microinsurance organization must register its policy model at SBS (Superintendencia de Banca, Seguros)”. Thus Peru moved from a quantitative approach in the first regulations to a qualitative approach in the second. Peru’s regulation adjustment illustrates that they believe microinsurance can indeed be delineated without a monetary definition. SBS argues that they clearly recognize what is and what is not microinsurance by its features, which are a combination of delivery model, product features, and client group.

⁴ The current minimum daily wage rate for a non-agricultural worker in Manila is PHP 426, which is USD 9.82 with the current exchange rate of USD 1 = PHP 43.38

Issues for consideration:

On a conceptual level, a definition for “microinsurance” can be nicely qualitative – “microinsurance is insurance for low income people”. However, as soon as governments want to regulate microinsurance differently from traditional insurance, or donors want it clearly understood whom they are providing funding to serve there is a need for a clear definition of “microinsurance”. Without a clear definition we end up with the potential for regulatory arbitrage, a limited ability to leverage market education, and challenges tracking “actual” microinsurance whether as researchers, donors, or governments. To address this varying need for definitions people and institutions have developed their own. This may satisfy their focused need, but creates challenges in comparability and transferability in terms of lessons and benchmarking.

Any definition must be practical to implement by those that will be required to adhere to, and report based on, the definition. Complex definitions are likely to be too challenging for institutions to report on leading to useless reports and additional administrative expenditures (which will have to be passed on to the clients). As with regulations in general, care is needed to make sure that the effort to facilitate microinsurance does not have the unintended consequence of limiting its availability because insurers refrain from entry into the market because of the complexities imposed by the definition of microinsurance.

Some questions to consider:

- Do we need a definition of “microinsurance”?
- Should there be a “universally” accepted definition? Is it even practical to expect a universal definition?
- Does comparability matter? How do we make the definition comparable across borders?
- What would be the components of such a definition? Qualitative? Quantitative? A hybrid? Should we focus more on societal, consumer, or product based definitions? A combination?
- Do we even understand the impact of definitions on the microinsurance supply chain enough to formulate a “universal” definition?
- What is needed to make such a definition easily implementable to insurers (in the broad sense)?
- What would be needed to get others to contribute to and follow a “universal” definition (if that is possible at all)?

What follows are paraphrased definitions identified from various sources. These were compiled to provide an overview of the various approaches institutions, individuals, and regulators have taken in devising definitions that work for them.

These definitions are grouped using the typologies discussed above to help the reader both sort them and identify evolutionary trends.

DEFINITIONS

CONSUMER BASED DEFINITIONS – These definitions use “micro” in reference to the consumers of the microinsurance products. The clients are “micro” in the sense that they have low net worth, low income, little property or assets, etc.

Qualitative

“Microinsurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.”

- **Working Group on Microinsurance. (2003). Preliminary Donor Guidelines for Supporting Microinsurance. Consultative Group to Assist the Poor (CGAP).**

“The term “microinsurance” typically refers to adapting insurance services mainly to clients with low income and no access to mainstream insurance services. More precisely, microinsurance is a means of protecting low income households against specific risks in exchange for a regular payment of premiums whose amount is proportional to the likelihood and cost of the relevant risk.”

- **Microinsurance in Keywords. Microinsurance Network. Retrieved on April 4, 2011:
<http://microinsurancenetwork.org/keywords.php>**

“Insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices. Importantly this means that the risk insured under a microinsurance policy is managed based on insurance principles and funded by premiums”

-**International Association of Insurance Supervisors and CGAP Working Group on Microinsurance. (2007). Issues in Regulation and Supervision of Microinsurance.**

“Microinsurance is insurance that is accessed by low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices. Importantly this means that the risk insured under a microinsurance policy is managed based on insurance principles and funded by premiums. Microinsurance covers an extreme broad variety of services like, for example, life insurance, health, invalidity, cattle breeding, crop and asset insurance.”

-**What is microinsurance? Access to Insurance Initiative. Retrieved on April 4, 2011:
<http://www.access-to-insurance.org/>**

Proposed qualitative definition for Ghana: Microinsurance is insurance that is accessible by the low-income population. It is provided by regulated insurers. Its main aim is to protect the social economic living conditions of the low-income population against specific risks (life, asset protection, accident, health) through the payment of premiums related to the risks involved in line with the law and globally accepted insurance principles (IAIS Core Principles).

- **Microinsurance Policy Paper Ghana: Creating an Enabling Legal and Regulatory Environment for Microinsurance in Ghana. (2010). National Insurance Commission and GTZ.**

“Microinsurance is a financial tool that helps low-income households mitigate risk and plan for the future. It enables them to cope with unpredictable and irregular incomes, while also preparing them for financial emergencies that threaten their livelihood.”

-Microinsurance 101: How do poor people deal with risk? Financial Access Initiative. Retrieved on April 4, 2011: <http://financialaccess.org/node/3636>

“Microinsurance policies protect the poor against risks of death or disability and protect key assets the family relies on to provide income, transportation and stability. This new type of insurance is mainly offered in the poorest regions of the world.”

-Joe Andrews. Definition of Microinsurance. eHow. Retrieved April 4, 2011: http://www.ehow.com/facts_6858024_definition-micro-insurance.html

Quantitative

“Microinsurance is the insurance protection provided by licensed entities within the country against specific risks which aims fundamentally to preserve the socio-economic and personal and family situation of the low-income population by means of premium payments which are proportional to the probability and cost of risks involved, in accordance with the legislation and globally accepted insurance principles.”

“The low-income population in Brazil, for specific microinsurance purposes, is the segment of the population which monthly income per capita is up to three [times] minimum wage national reference (US\$624).”

-Simões, R. (2009). Regulation, Supervision and Policy Issues for Microinsurance in Brazil. Powerpoint presentation for Access to Insurance Policy Seminar. Senegal.

PROUDUCT BASED DEFINITIONS – These definitions apply the term micro to characteristics of the products, such as having low premiums, low levels of coverage, being affordable and accessible, etc.

Qualitative

Micro-insurance is insurance with low premiums and low caps/coverage. In this definition, “micro” refers to the small financial transaction that each insurance policy generates. The Micro-insurance Regulations, issued in 2005 by the Indian Insurance Regulatory and Development Authority (IRDA), for example, adopted this definition in explaining “micro-insurance products” as those within defined (low) minimum and maximum caps. The IRDA’s characterization of micro-insurance by the product features is further complemented by their definition for micro-insurance agents, those appointed by and acting for an insurer, for distribution of micro-insurance products (and only those products).

-Khan, M.Y. (2008). Financial Services (4th ed.). New Delhi: Tata McGraw-Hill.

Quantitative

In 2007 in Peru, microinsurance was defined as massive, cheap and low coverage insurance. Regulation was applied to any insurance that didn’t exceed USD 3,300 coverage limit or USD 3, 3 monthly premium and required certain policy features such as minimum requirements for group policies, an application certificate to begin the insurance coverage, simple coverage, minimum

number of exclusions, no previous evaluations of policyholders or insured values necessary, no deductibles and copayments, and payment of claims must be done in 10 days (in reality, 3 days).

In 2009 the Superintendence of Peru approved a new regulation redefining microinsurance to consider its objective without setting limits to coverage or premiums. The new definition is as follows: Microinsurance must respond to the protection needs of a specific insurance group and the intermediary working with the microinsurance organization must register its policy model at SBS. To be allowed to provide microinsurance, organizations must adhere to the following specifications: simplified policies for individuals and application certificates for groups, no exclusions unless they are necessary and in accordance with the coverage, and no mandatory evaluations prior to purchasing a policy unless the specific type of insurance requires it.

--Chiappe Villegas, C. (2010). **Microinsurance Regulation in Peru**. Powerpoint presentation for the Meeting on Microinsurance – Promoting Successful Regulatory and Supervisory Approaches for Increased Access to Insurance. Basel, Switzerland.

Monetary definitions of microinsurance products:

	India: Life, non-life	Philippines: Life, non-life	Peru:	Mexico: Life, accident, health	Taiwan Life, injury
Maximum monthly premium	N/A	USD 25 (2007) USD 12 (2010 revision)	(until 9/2009 US\$ 3) <i>Abolished</i>	US\$ 7 (property insurance)	N/A
Sum assured	minimum USD 123 maximum USD740 depending on line	US\$ 4,033	(until 9/2009 USD 3,300) <i>No limit anymore</i>	USD 6,840 (groups) USD 5,130 per individual for life insurance	USD 9,663

-Wiedmaier-Pfister, M. (2010). **From Country Evidence to Microinsurance Standards: An Overview**. Powerpoint presentation for Access to Insurance Initiative, Microinsurance Meeting. Basel, Switzerland.

Proposed South Africa definition: In line with the practice in South African insurance regulation, it is suggested that the definition of micro-insurance should be product-based. The following product parameters are recommended:

- (1) the benefits to be paid under a micro-insurance policy must be capped at R50 000 per individual risk per year;
- (2) the term of the contract must not exceed 12 months;
- (3) limiting the products to risk only, and excluding savings;
- (4) both life and non-life events to be covered, but the risk events need to be relatively predictable for a small insurer, and the financial impact of each event must be relatively small and independent of others (this could include funeral policies, microlife, personal accident, household structure and content, cell phone and legal insurance, but will exclude investment policy products), and
- (5) simple terms and conditions, readily understandable by low-income clients.

- **Discussion Paper: The Future of Micro-Insurance Regulation in South Africa**. (2008). National Treasury. Republic of South Africa.

LEVEL OF SOCIETY BASED DEFINITIONS – The following definitions consider “micro” in terms of who supplies microinsurance, i.e. local organizations as opposed to government provision.

Qualitative

“‘Micro’ refers to the level of society where the interaction is located, i.e. smaller than national schemes, and ‘insurance’ refers to the economic instrument.”

-- **Dror, D. M. and Jacquier, C. (1999), Micro-insurance: Extending Health Insurance to the Excluded. International Social Security Review, 52: 71–97.**

“Microinsurance units [are] community-funded health insurance schemes that are neither commercial nor national. These microinsurers do not have access to resources and financial techniques of commercial insurance.”

- **Dror, D. M. and Preker, A.C. (2002). Social Reinsurance: A New Approach to Sustainable Community Health Financing. World Bank Publications.**

“Microinsurance is the provision of insurance services and products to the Microfinance members/clients”

-**Kalema, B. (2007). Examples of Microinsurance Products. Powerpoint presentation for the 3rd African Microfinance Conference. Kampala, Uganda.**

“Microinsurance is a system by which people, businesses and other organizations make payments to share risk. Access to insurance enables entrepreneurs to concentrate more on growing their businesses while mitigating other risks affecting property, health or the ability to work.”

- **Inclusive Finance: Commonly Used Terms. United Nations Advisors Group on Inclusive Financial Sectors. Retrieved on April 4, 2011:**

http://www.uncdf.org/english/microfinance/advisors_group/docs/Glossary%20of%20Inclusive%20Finance%20Terms.pdf

CONSUMER AND PRODUCT BASED DEFINITIONS – These definitions relate “micro” to the consumers and the products referring to both the low-income population and product that are affordable, have low premiums, etc.

Qualitative

"Microinsurance is the protection of low-income people against specific perils in exchange for regular monetary payments (premiums) proportionate to the likelihood and cost of the risk involved. As with all insurance, risk pooling allows many individuals or groups to share the cost of a risky event. To serve poor people, microinsurance must respond to their priority needs for risk protection (depending on the market, they may seek health, car, or life insurance), be easy to understand, and affordable"

- **Churchill, C., ed. (2006). Protecting the poor: A microinsurance compendium. Munich Re Foundation/International Labour Organization.**

“Microinsurance is a means of financial protection that targets low-income communities generally excluded from public and private schemes. Protection is provided in exchange for regular

premiums proportionate to the likelihood and severity of the risk involved. The types of products offered typically range from health, life, livestock, crop and weather insurance. Through community risk pooling and self-management of the microinsurance schemes, poor people have access to tailored benefit packages at low premium levels.”

-Frequently Asked Questions: What is microinsurance and how does it work? Micro Insurance Academy. Retrieved on April 4, 2011: <http://www.microinsuranceacademy.org/faq>

“Microinsurance is a mechanism to protect poor people against risk (accident, illness, death in the family, natural disasters, etc.) in exchange for insurance premium payments tailored to their needs, income and level of risk. It is aimed primarily at the developing world’s low-income workers, especially those in the informal economy who tend to be underserved by mainstream commercial and social insurance schemes.”

-About Us: What is Microinsurance? Microinsurance Innovation Facility. Retrieved on April 4, 2011: <http://www.ilo.org/public/english/employment/mifacility/about/whats.htm>

“Insurance for low-income people and businesses in developing countries characterized by low premiums and low coverage limits”

- Biener, C. & Eling, M. (2009). The Performance of Microinsurance Programs: A Frontier Efficiency Analysis. Powerpoint presentation for the AFIR/LIFE Colloquium 2009. Munich, Germany.

“Risk-pooling products that are designed to be appropriate for the low-income market in relation to cost, terms, coverage, and delivery mechanisms.”

-McCord, M.J. (2006). Making partnerships work in microinsurance: Lessons and Challenges. Powerpoint presentation for the Joint MFC-EMN Conference. Budapest, Hungary.

“[Microinsurance products are] insurance products that offer coverage to low-income households. A microinsurance plan provides protection to individuals who have little savings and is tailored specifically for lower valued assets and compensation for illness, injury or death. As a division of microfinance, microinsurance looks to aid poor families by offering insurance plans tailored to their needs. Microinsurance is often found in developing countries, where the current insurance markets are inefficient or non-existent. Because the coverage value is lower than a usual insurance plan, the insured people pay considerably smaller premiums.”

-Microinsurance. Investopedia. Retrieved on April 4, 2011: <http://www.investopedia.com/terms/m/microinsurance.asp>

Micro-insurance is a service that protects poor people against certain risks in return for a fee (premium). The service, which can be offered through a [variety of microfinance models](#), is offered to low-income individuals and businesses (usually called micro entrepreneurs and micro enterprises, respectively) and is characterized by:

- Low insurance premiums – this is a regular fee paid by a client (policy holder) to the insurance firm for the guarantee that the insurance firm will cover the client’s expenses or losses in case they occur (e.g. a cow gets stolen). This form of insurance needs low premiums to make it affordable to micro-entrepreneurs.
- Low coverage limits – this is the maximum amount of expenses an insurance firm will cover in case of a certain event or over the life of a policy. Any costs beyond the coverage

limit must be paid for by the client. For example, if a farmer's total loss goes up to \$200 because his crop field got destroyed as a result of a drought, the insurance firm may only compensate him for half this amount.

-Micro-insurance: Managing Risk for the Poor. Microfinance Hub. Retrieved April 4, 2011: <http://microfinancehub.com/2010/02/15/micro-insurance-managing-risk-for-the-poor-definition/>

Definition: "MicroInsurance"

- "Micro-"
 - Insurance products that are designed to be appropriate for the poor in relation to cost, terms, and coverage
- "Insurance"
 - Financial product that protects against unexpected losses through pooling resources
 - Policy holders pay only the average loss experiences by its "risk pool"

- McCord, M.J. (2002). "MFIs and Risk Management Tools for the Poor: An Introduction to MicroInsurance." 5th Annual Conference of MicroLending Institutions in C&EE and the NIS. Budapest, Hungary.

"Insurance with limited coverage and small premiums aimed at alleviating the economic losses of the poorest."

- Micro insurances: Protection Against Poverty. (2007). Fasecolda. Powerpoint presentation. Retrieved April 4, 2011: <http://www.fasecolda.com/fasecolda/BancoMedios/Documentos%20PDF/english.pdf>

Qualitative and Quantitative

"Microinsurance provides essential cover to families and individuals who have no access to basic social protection. Microinsurance products provide people living on or below the poverty line with a health and financial safety net that enables them to survive risks that would otherwise shatter their lives, for example death of a close relative, disability or substantial damage to their homes. Microinsurance products have premiums as low as €0.10 per month, putting this essential cover within reach of even the poorest households."

-A Worldwide Need: What is Microinsurance? Allianz. Retrieved on April 4, 2011: https://www.allianz.com/en/responsibility/challenges/microinsurance/global_challenge/global_challenge.html

"The term "microinsurance" shall refer to the insurance business activity of:

- I. providing **specific insurance products that meet the needs of the disadvantaged**
- II. A "microinsurance product" is an insurance policy whereby:
 - The amount of **premium** computed on a daily basis does not exceed ten percent (10%) of the current daily minimum wage rate for non-agricultural workers in Metro Manila; and
 - The maximum amount of life insurance **coverage** is not more than five hundred (500) times the daily minimum wage rate for non-agricultural workers in Metro Manila."

-Llanto, G.M., Piedad Geron, M. & Almario, J. (2007) Developing Principles for the Regulation of Microinsurance: Philippine Case Study. Philippine Institute for Development Studies. Note that this was revised in 2010 (below)

Microinsurance is an activity providing specific insurance, insurance-like and other similar products and services that meet the needs of the low income sector for risk protection and relief against distress, misfortune and other contingent events. This shall include all forms of insurance, insurance-like and other similar activities, as may be defined by concerned regulatory bodies, with the following features:

5.1.1 Premiums, contributions, fees or charges are collected/deducted prior to the occurrence of a contingent event; and

5.1.2 Guaranteed benefits are provided upon occurrence of a contingent event.

5.2 Microinsurance product is a financial product or service that meets the risk protection needs of the poor where:

5.2.1 The amount of premiums, contributions, fees or charges, computed on a daily basis, does not exceed five (5) percent of the current daily minimum wage rate for non-agricultural workers in Metro Manila; and

5.2.2 The maximum sum of guaranteed benefits is not more than 500 times the daily minimum wage rate for non-agricultural workers in Metro Manila.

-Microinsurance Regulatory Framework. (2010). Philippines Department of Finance.

A two level definition:

- 1) Is the microinsurance product targeted at the needs of the low income market?
- 2) Is the annualized **premium** of the microinsurance product lower than (as % of GNI per capita PPP):
 - 2% (for life)
 - 4% (for health)
 - 1% (for property)

-Definition and Glossary of Insurance Terms. (2011). Microinsurance Database, World Bank.

Microinsurance, for regulatory purposes, has been defined as life, damage, accident and health insurance policies that are designed as low-income insurance by using distribution channels and low operation costs.

For microinsurance, the premium and coverage rates have also been limited. Individuals cannot be insured by microinsurance for an amount greater than four times the minimum annual wage of the Federal District (USD \$ 6,840) and groups the maximum amount insured for each member cannot exceed three times the annual wage of the Federal District (USD \$5,130). For damage insurance to be microinsurance the monthly premium cannot exceed the salary received from working 1.5 days at minimum wage (USD \$7). Finally the regulation in México mandates adhesion contracts, no payment of dividends, no deductibles or co-payments, repayment of claims in five days maximum, and emphasizes simply policies and insurance mechanisms.

-Verduzco, M. (2007). Microseguros: Experiencia Regulatoria en México. Powerpoint presentation from the ASSAL-IAIS-FIDES Insurance Training Meeting. Santiago, Chile.

Definition for Taiwan:

Microinsurance means insurance products that offer basic coverage against specific risks as provided by insurance enterprises for the economically disadvantaged. ... “Economically disadvantaged” means a person must meet any of the following criteria:

- a spouseless person with gross annual income less than NT\$250,000
- a member of a household with a combined gross annual income of less than NT\$500,000
- a person with the status of indigenous person
- a person who is a member of a legally established civil organization or institution for fishermen, or a domestic fishing professional, or a foreign fishing professional

- a person serviced by legally established social welfare or charity organizations or institutions
 - a member of a household that is a recipient under the Work income Subsidy Program
 - a member of a mid or low income family as defined in the Medical Subsidy Regulations, or a member of a family in hardship as defined in the Act of Assistance for Women in Hardship, or a member of a low-income family as defined in the Public Assistance Act
 - a person with disabilities as defined in the People with Disabilities Right Protection Act
 - other economically disadvantaged people as recognized by the competent authority
- ... microinsurance products must also be in accordance with the other regulations specified

by TAIWAN such as an insurance enterprise may only offer (1) conventional one-year term life insurance and (2) one-year personal injury insurance, the name of the micro-insurance product should contain the wording “micro” to denote the major characteristic of the product, the insurance enterprises should waive physical examination in principle, and many others.

-Directions for Insurance Companies to Engage in Microinsurance Business. (2009). Taiwan Financial Supervisory Commission.

“An insurance product accessible either by price or delivery channel to people earning less than (approximately) 2 USD per day.”

- Matul, M., McCord, M.J., Phily, C., & Harms, J. (2009). The Landscape of Microinsurance in Africa. Briefing Note No. 1. International Labour Organization Microinsurance Innovation Facility.

CONSUMER AND LEVEL OF SOCIETY BASED DEFINITIONS – In the following definitions “micro” refers to the consumers and the level of society.

“It is a scheme that uses, among others, an insurance mechanism whose beneficiaries are (at least in part) people excluded from formal social protection schemes, in particular informal economy workers and their families. The scheme differs from others created to provide legal social protection to formal economy workers. Membership is not compulsory (but can be automatic), and members pay, at least in part, the necessary contributions in order to cover benefits. The expression “micro-insurance scheme” designates either the institution that provides insurance (e.g., a health mutual benefit association) or the set of institutions (in the case of linkages) that provide insurance or the insurance service itself provided by an institution that also handles other activities (e.g., a micro-finance institution).”

- Microinsurance Overview: What is a “microinsurance scheme”? Global Information on Micro-Insurance. Retrieved on April 4, 201: <http://financialaccess.org/node/3636>

NO DEFINITION

To date in Colombia, there is no dedicated regulatory framework or definition for microinsurance despite many insurance companies in Colombia providing products to low income people. In fact, there is also no broad microfinance definition in Colombian legislation like there is in many countries. Insurance (and microinsurance) has no law dedicated to it, but is governed by the Fundamental Law of the Financial System.

-Cáceres, M. & Zuluaga, S. (2008). Making Insurance Markets Work for the Poor: Microinsurance Policy, Regulation and Supervision – Colombia Case Study. CGAP Working Group on Microinsurance.

DEFINITIONS BY CATERGORY:

Microinsurance Definitions						
"Micro" refers to	Type of definition					
	"Micro" refers to	Quantitative	Qualitative	Both	No definition	
	Consumers	Brazil	CGAP, Microinsurance Network, IAIS, Access to Insurance Initiatives, Ghana, Financial Access Initiative, Joe Andrews			Colombia
	Products	Peru 2007, Monetary definitions chart, South Africa	Peru 2009, M.Y. Khan			
	Level of society		David Dror (2), 3 rd African Microinsurance Conference, United Nations Advisor Group			
	Consumers and products		Craig Churchill, Micro Insurance Academy, Microinsurance Innovation Facility, Biener & Eling, Michael J. McCord (2), Investopedia, Microfinance Hub, Fasesolda	Allianz, Philippines(2), World Bank Microinsurance Database, Mexico, Taiwan, ILO-African Landscape Study		
	Consumers and level of society		Global Information on Microinsurance			