PROTECTING THE WORKING POOR

International Labour Office

ANNUAL REPORT 2012

MICROINSURANCE INNOVATION FACILITY

microInsurance Innovation facility
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CONTENTS

This annual report is organized into three parts: Part 1 summarizes the major outputs of the ILO's Microinsurance Innovation Facility in 2012 and introduces our initial thoughts on the Facility's plans after 2013; Part 2 describes microinsurance development and the experiences of our partners in Africa, Asia and the Pacific, India and Latin America and the Caribbean; and Part 3 presents lessons that were generated by our partners in 2012. The Annexes list our innovation grantees and strategic partners (Annex I), knowledge products (Annex II) and capacity-building activities (Annex III).

PART 1. IN PURSUIT OF QUALITY AT SCALE 1

OPERATIONAL ACCOMPLISHMENTS 2

RECOGNIZING LINGERING CHALLENGES 3

REFINING THE FACILITY'S EFFORTS 4

Accelerating quality at scale 4

Innovation laboratory 6

Knowledge management 6

PART 2. A REGIONAL REVIEW 9

AFRICA 9

ASIA AND THE PACIFIC 12

INDIA 13

LATIN AMERICA AND THE CARIBBEAN 16

PART 3. THE FACILITY'S LEARNING JOURNEY 18

PROVING CLIENT VALUE 18

IMPROVING CLIENT VALUE 19

Product 20

Access 22

Cost 24

Experience 25

UNLOCKING DEMAND 26

ALIGNING SCALE, QUALITY AND VIABILITY 28

Governments 28

Commercial insurers 29

Distribution channels 30

Technology 32

ENDNOTES 34

ANNEXES 35

ANNEX I. FACILITY PARTNERS 36

INNOVATION GRANTEES, 2008 TO 2012 37

Strategic partners 44

ANNEX II. KNOWLEDGE PRODUCTS, 2012 45

Microinsurance Papers and Briefing Notes 45

Research Papers 45

Emerging Insights 46

Videos 48

ANNEX III. KNOWLEDGE SHARING AND CAPACITY BUILDING, 2012 50

Events 50

Fellowships 51

ANNEX IV. FACILITY TEAM 52

ACRONYMS AND ABBREVIATIONS 54

The good news is that more and more insurance is reaching low-income populations and businesses ... The need now is to move from pilots to scale. This will not happen by addressing microinsurance in isolation. It requires that policymakers and providers in insurance and social protection work with each other and also coordinate closely with stakeholders in agriculture, environment, health, communications and financial services.

H.R.H. Princess Máxima of the Netherlands
UN Secretary-General's Special Advocate for Inclusive Finance for Development
Speech to the 8th International Microinsurance Conference, Tanzania, 6 November 2012

FACILITY MILESTONES AND EVENTS, 2012

January	Participated in the Microinsurance Network Executive Committee meeting, Germany
February	Presented at the Innovations in Provision of Outpatient Healthcare Conference, India
March	Completed strategic analysis for next phase of the Facility, Switzerland
April	Delivered keynote at Research Conference on Microinsurance, The Netherlands Launched *Protecting the poor: A microinsurance compendium, vol. II* (with the Munich Re Foundation), The Netherlands Conducted strategy workshop with stakeholders for next phase of the Facility, Switzerland
May	Participated in the International Association of Insurance Supervisors–Microinsurance Network Joint Working Group, Morocco Participated in the OECD International Conference on Financial Education, Spain Presented at the 1st Insurance and Technology Summit, Haiti Presented at the 39th African Insurance Organisation Conference, Sudan Piloted the Pricing for Microinsurance training module, Ghana
June	Participated in the I4 Technical Meeting, Italy Contributed to the establishment of the Global Action Network on index insurance, Italy Participated in the Microinsurance Network meeting, Germany Piloted the Managing Partnerships in Microinsurance training module, Zambia Organized the 1st Curriculum Advisory Board meeting, Germany
July	Organized launch of *Protecting the poor: A microinsurance compendium, vol. II,* Switzerland Presented at the 6th Asia Conference on Microinsurance, The Philippines Organized Microinsurance Business Strategies for African Markets training (with Cenfri), South Africa
August	Participated in the Impact and Policy Conference, Thailand Organized a Practitioner Learning Group peer exchange visit at Old Mutual, South Africa
September	Organized the Knowledge Sharing Forum on the Impact of Health Microinsurance, India
October	Presented at the International Association of Insurance Supervisors Annual Conference, USA Presented at the 2012 World Bank International Insurance Symposium, USA Presented at the Foromic 2012 conference, Barbados Announced fellowship opportunities (two in Africa and one in the Caribbean)
November	Organized the second Curriculum Advisory Board meeting, Tanzania Organized workshop on training module development, Tanzania Organized the 5th Innovation Forum, Tanzania Presented at the 8th International Microinsurance Conference, Tanzania Participated in the Microinsurance Network's Annual General Meeting, Tanzania Participated in the European Microfinance Platform's Microfinance Week, Luxembourg Organized a Practitioner Learning Group experience sharing, Tanzania
December	Presented at the World Bank's International Policy Workshop, Germany

PART 1. IN PURSUIT OF QUALITY AT SCALE

Microinsurance is a rapidly evolving field with great potential to help the world's poor to manage the risk of large losses, as described in the introductory quotation by H.R.H. Princess Máxima of the Netherlands, UN Secretary-General's Special Advocate for Inclusive Finance for Development. The extension of insurance to low-income households provides a way to integrate financial inclusion and social protection, potentially benefiting not only the working poor, but also their communities and countries (see Box 1). Yet millions of low-income households do not have access to appropriate insurance products, and the insurance industries in many countries are not fulfilling their potential to support economic development and job creation.

With initial support from the Bill & Melinda Gates Foundation, the Facility was created to help the nascent field learn and grow, and has succeeded in contributing to both cutting-edge learning and impact on the ground. The Facility's vision is of a world in which billions of low-income people better manage the risks they face, helping to break the cycle of poverty. To achieve that vision, we have focused on two fundamental questions: a) do the poor really benefit from microinsurance, and b) can it be provided to them in a viable or sustainable manner?

To answer these questions, and support efforts to overcome various microinsurance challenges, the Facility has engaged in a range of activities including providing innovation, research and capacity-building grants; offering fellowships to insurance professionals; and conducting training, organizing workshops and disseminating lessons learned. As a catalyst for action, the Facility works with a diverse range of partners and collaborators, including academics, actuaries and consultants, think tanks, non-governmental organizations (NGOs) and insurance practitioners.

CONTENTS

Box 1 THE PROMISE OF MICROINSURANCE

© Facility

John Pott (consultant), Agrotosh Mookerjee (Facility Fellow) and Sundeep Kapila (Swasth India Services) visiting an outpatient clinic in India

© Aseguradora Rural

Health worker providing a health check-up to a client of Aseguradora Rural in Guatemala

© Facility

Beneficiaries of the community health programme of VimoSEWA in India

Amartya Sen, the Nobel Prize-winning economist, has noted that crisis has a "class-dependent character". The lower socio-economic classes, many of whom work in the informal economy, are more vulnerable to risks than others, and yet they are the least able to cope when crises occur. Microinsurance holds the promise of breaking this perpetuating cycle of vulnerability and poverty. This claim is no longer theoretical. Evidence from rigorous studies is beginning to emerge demonstrating that the working poor are better off because they have insurance.

Integrating social protection and financial inclusion

Microinsurance can be an integral means to extend or supplement social protection benefits, particularly for the working poor. Not only can microinsurance support the distribution of social protection benefits to under-served populations, but it can also supplement the basic benefits of social insurance schemes. Microinsurance is also intended to correct a failure in the financial markets to enable the working poor to access previously unavailable insurance services. By leveraging social protection with financial inclusion, it is possible to increase the effectiveness of both, enhancing the ability of workers in the informal economy to cope with the costs associated with the illness or death of breadwinners, the theft of productive assets and the destruction wrought by disasters.

Benefits of microinsurance

The benefits of microinsurance go beyond financial help in the event of shock; at the household level, it offers both protective and productive benefits. A life insurance policy that includes savings, for example, can help the poor build an asset base. There is also growing evidence that small-scale farmers and microentrepreneurs take more risk and invest more in their businesses when they know they are protected (Cai et al., 2010; Karlan et al., 2012).

The benefits of insurance extend beyond low-income households to their community and country. Various studies have demonstrated a causal link between the development of the insurance industry in general and national economic development. More broadly within the economy, by mobilizing long-term savings, insurers are an important source of long-term investment capital for initiatives such as infrastructure improvements, and they can stimulate the development of debt and equity markets (Brainard, 2008).

OPERATIONAL ACCOMPLISHMENTS

Between 2008 and 2012, the Facility and its collaborators have made significant progress by:

- Providing innovation grants to 63 organizations in Africa, the Middle East, Asia, Latin America and the Caribbean, to develop and test new microinsurance products, models and strategies (see Annex I);
- Assisting 57 individuals and organizations with capacity building through fellowships, mentoring, technical advisory and consultancy services, and information-sharing events;

CONTENTS

- Collaborating with actuaries, academics, consultants, insurers, development partners and others to create a community of practice that facilitates south-south exchange to speed up the learning process;
- Developing an online knowledge management platform to track the progress of key microinsurance practitioners, while aggregating and disseminating lessons learned between organizations that are striving to answer similar questions. Based on these experiences, the Facility published, with the Munich Re Foundation and the Microinsurance Network, the seminal *Microinsurance compendium* (Churchill and Matul, eds, 2012; see Box 23). The Facility has also published 18 Microinsurance Papers highlighting practice-based insights (with a dozen more in the pipeline), and 51 Emerging Insights, brief lessons broadly distributed through electronic media (see Annex II for papers and insights published in 2012);
- Providing 27 research grants and publishing 27 Research Papers to engage academics on critical issues (see Annex II for papers published in 2012).

The main lessons from the Facility's grantees and studies in 2012, and from the microinsurance sector at large, are summarized in Part 3 of this report.

© Syngenta Foundation

When it comes to drought, most farmers have no choice but to simply pray for rain. And if the rains don't come, the crops don't grow. At a time of global change, farmers need more options, including weather index-based insurance, which is coming of age as a most helpful resource.

Marco Ferroni, Syngenta Foundation for Sustainable Agriculture, Switzerland

RECOGNIZING LINGERING CHALLENGES

While there have been breakthroughs in microinsurance in recent years, a number of challenges remain. Perhaps the most glaring lies in geographic disparities, with oases of success amid vast deserts without coverage. However, the challenges occur at multiple levels. At the macro level, inappropriate regulation and the absence of subsidies can impede progress. At the meso level, there is an on-going need for skilled staff, such as loss adjustors, underwriters and actuaries, and improved data collection. The lack of data not only makes the design of products difficult but also acts as a barrier to insurers considering entering the market.

Client education remains a problem as the lack of understanding and trust towards insurance inhibits demand (see Box 7). In a survey conducted as part of the Facility's strategic planning process, we asked external stakeholders to identify the greatest obstacles inhibiting access to valuable insurance products at scale. The three obstacles considered the most important – and under-addressed – were the limited value of microinsurance to low-income households (68 per cent of respondents), potential clients' lack of understanding of microinsurance (66 per cent) and their lack of trust in providers (60 per cent). At least 40 per cent of the respondents identified a dozen different issues, indicating the complexity of the task at hand and the varying roadmaps that might lead to success.

At the operations level, considerable progress on insurance distribution is being made in some markets, in part due to technological innovation and the diversity of distribution channels getting involved, but in many countries the lack of distribution infrastructure remains a challenge. Where the microfinance sector is well developed, microfinance institutions (MFIs) can be an important distribution channel, but real expansion occurs when insurers move beyond the low-hanging fruit of credit life and find other ways

CONTENTS

of reaching the working poor. Product design has improved in recent years, but more valuable products are still needed. And while there are many pilots generating interesting lessons, not enough have been taken to scale.

REFINING THE FACILITY'S EFFORTS

After five years of supporting and learning from microinsurance innovators, the Facility is now refining its efforts. Moving forward, the Facility intends to proactively promote and support the adoption of good practices in microinsurance by key stakeholders in order to dramatically expand the outreach of insurance services into the low-income market, strengthen insurance providers and ensure that better risk management practices are more widely available. A five-year plan (2014–18) is currently under development, with the intention to tackle key constraints while ensuring that microinsurance providers benefit from each other's experiences, and generating new insights to help improve the supply and unlock the demand for insurance. This will be accomplished through a three-pronged strategy (see Figure 1).

Figure 1 THE FACILITY'S THREE-PRONGED STRATEGY FOR 2014–18

<table>
<tr><th>ACTIVITIES</th><th>OUTPUTS</th><th>OUTCOMES</th><th>IMPACT</th></tr>
<tr><td>Accelerating quality at scale – capacity building with intensive country focus</td><td>Better knowledge
More trained specialists
Informed policymakers</td><td rowspan="3">Practitioners successfully service low-income markets
Clients are better informed, manage risk better and increase demand
Academics produce knowledge for use by practitioners and policymakers
Consultants, trainers, associations promote key messages
Governments implement supportive public policies</td><td rowspan="3">Increased quality of microinsurance at scale
Better risk management and reduced vulnerability of low-income households</td></tr>
<tr><td>Innovation laboratory – selective, intensive support for innovation</td><td>Knowledgeable practitioners
Faster and sharper learning
New lessons</td></tr>
<tr><td>Knowledge management – repackaging, disseminating and applying knowledge</td><td>Actionable information
Communities of practice</td></tr>
</table>

ACCELERATING QUALITY AT SCALE

The Facility intends to shift from broad-based support for innovation to a market development approach in eight to ten selected countries. This means engaging with insurers, delivery channels, technology providers and other stakeholders in each country,

and supporting their efforts to develop insurance services for the working poor. Countries will be selected based on key criteria, including the presence of a large low-income population with limited insurance services, an insurance industry with some interest in going down market and an insurance supervisor who is committed to developing the market. In sum, these are countries ripe to achieve quality at scale.

The activities in each country will depend on the local circumstances. Particular attention will be focused on bringing together the divergent sets of expertise required for microinsurance to succeed, for example through partnership fairs for risk carriers, distribution channels and technology providers.

To support the training that could be required by various stakeholders participating in the intensive country programmes, we will mine our voluminous outputs and repackage the lessons and experiences emerging from our innovation grantees into training materials in various languages (see Box 2). The resulting content can also be useful elsewhere. So in partnership with the Microinsurance Network, we are identifying training institutions, universities, business schools, NGOs, HR departments and other multipliers to deliver this material in person and over the Internet. By supporting the development of microinsurance trainers and consultants, the Facility will indirectly support the capacity building of scores of additional microinsurance providers.

Box 2 DEVELOPING A MICROINSURANCE TRAINING CURRICULUM

A comprehensive training programme is an essential tool to support providers to improve the viability, sustainability and value of their services. With the support of the Australian Agency for International Development (AusAID), five training modules have been created:

- Pricing for Microinsurance
- Improving Client Value
- Managing Partnerships in Microinsurance
- Improving a Financial Institution's Microinsurance Offering
- Promoting Microinsurance Products

These modules complement the Performance Indicators and Business Planning training modules developed by the Microinsurance Network.

© Facility

Participants attending the Pricing for Microinsurance training in Ghana

In creating these modules, the Facility documents innovative and relevant experiments in microinsurance from around the world and creates guides, tools and effective teaching materials, which are then tested in workshops. Once the modules are well developed, they can be rolled out in partnership with regional and sectoral partners. An Advisory Board has been formed to help the Facility to develop the curriculum, identify training partners, and ensure the on-going relevance of the training programme.

CONTENTS

INNOVATION LABORATORY

Besides promoting lessons, we also need to keep in step with the latest developments and continue to push the frontier. The Facility proposes to partner with selected microinsurance providers and support their efforts to innovate and learn. Lessons generated would then be processed through the knowledge management platform (see below) and fed into on-going capacity-building efforts.

The Facility seeks to answer key and persistent questions concerning: a) client value and demand; b) technology, scale and efficiency; and c) the role of governments and business models. To do so, we plan to work with a dozen or so innovation partners – microinsurance providers – who also seek answers to these questions, are committed to learning and are willing to test new approaches. This innovation laboratory will serve a similar purpose as our current pool of innovation grantees, but will be structured differently to enhance both the quality and quantity of results, as summarized in Table 1.

Table 1 INNOVATION GRANTEES VERSUS INNOVATION PARTNERS

	INNOVATION GRANTEES (2008–13)	INNOVATION PARTNERS (2014–18)
Number	More than 50	10 to 15
Selection process	Call for proposals	Proactive selection process to identify effective innovators
Nature of the relationship	Donor-grantee relationship focused on an innovation project	Collaboration with partner on its microinsurance operations, including innovations
Responsibility for documentation	Grantees report on their experiences and lessons learned	Joint documentation by the Facility and partners of the lessons learned; links with academics for impact research where possible
Duration	2- to 3-year projects	Long-term partnerships
What is in it for them?	Grant, international recognition	Monitoring and evaluation support, assistance to answer key questions, international recognition

KNOWLEDGE MANAGEMENT

The online knowledge management platform, one of Facility's key assets, will play an even more significant role in the Facility's work in future, creating the bridge between the innovation laboratory and capacity-building activities. It will be transformed into a one-stop-shop for microinsurance expertise to support practitioners to translate knowledge into practice.

The Facility has learned that, to change practitioner behaviour, knowledge must not only be disseminated through passive tools and channels, such as publications and the website, but also promoted through active communication and capacity-building services. Active dissemination increases the likelihood that practitioners will learn from those who have gone before, so they can avoid making the same mistakes. In turn, this increases the likelihood that the Facility will be able to accelerate the achievement of quality at scale.

Since we intend to reach out to a diverse target group that has varied learning preferences, various approaches to knowledge management are required, combined with regular feedback, monitoring and modification to maximize effectiveness. A key element of active dissemination is personal engagement, supported by virtual events for partners, collaborators and stakeholders. We will therefore expand peer-learning activities to facilitate knowledge exchange (see Box 3). We also intend to support other communities of practice among practitioners, training institutes and consultants.

Box 3 PRACTITIONER LEARNING GROUP: SHARING KNOWLEDGE TO IMPROVE CLIENT VALUE

© Facility

Collaboration for knowledge sharing is difficult in a day-to-day business environment. To address this issue, the Facility created a practitioner learning group (PLG) with member organizations from 12 countries, represented by 46 people interested in promoting better client value. Members keep in touch through an online space hosted on our website and quarterly webinars focusing on one organization's work to improve client value.

Building on these virtual exchanges, Facility partner Old Mutual hosted a peer exchange in South Africa in August 2012, bringing together 16 PLG members and its own staff. After a one-day training on the Facility's client value assessment tool, PACE - Product, Access, Cost, Experience (see Box 13), the group evaluated the client value proposition of Old Mutual's two main microinsurance products.

The PLG, and especially the experience of peer exchange, showed that assembling practitioners in one place to find solutions together could quickly yield results. The peer exchange is a powerful capacity-building tool because learning takes place in real time among practitioners facing similar issues.

© Old Mutual

Peer exchange hosted by Old Mutual in South Africa

The Facility and its partners have done a remarkable job over the last five years in helping put microinsurance on the map. In the next phase we must build on these efforts to ensure that insurance can live up to its potential and make a meaningful contribution to reducing the vulnerability of the working poor. Because, as the ILO's charter document, the Philadelphia Declaration (1944), states, "Poverty anywhere constitutes a danger to prosperity everywhere".

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Participants in the 2012 Microinsurance Innovation Forum in Tanzania

CONTENTS

PART 2. A REGIONAL REVIEW

It is interesting to note how microinsurance is evolving quite differently across the globe, which influences the Facility's approach in each region. In Africa, the Facility is testing new interventions, such as the intensive country support and the innovation laboratory that will be part of the next phase of the Facility. In India, we are actively learning from a host of different players, including the government, given the important role it plays to support scale. We have focused more on capacity-building activities in other parts of Asia, especially in the Pacific where the sector is very new. In Latin America and the Caribbean, where the industry has mainly been commercially driven, the Facility is learning about alternative distribution channels, such as retailers, and the diversity of stakeholders required to protect against catastrophes. Despite regional differences, there are many recurring themes, including the critical roles of distribution and technology. As a global facilitator, one of our most important roles has been to enable learning across regions.

AFRICA

The microinsurance industry in Africa is growing tremendously. A recent study identified 200 per cent growth between 2008 and 2012 with over 44.4 million low-income lives and properties covered in 39 countries (McCord et al., 2012). The market remains dominated by life cover, particularly funeral insurance, and concentrated in Southern and East Africa. However, increasing government involvement, the implementation of new business models, and the spread of technology promise changes in the landscape over the next few years.

A number of countries, including South Africa, Kenya, Zambia, Ghana and Ethiopia, are developing new microinsurance regulations. The Centre for Financial Regulation and Inclusion (Cenfri), one of the Facility's strategic partners, has conducted many of the diagnostic reviews that serve as the starting point of this process. The studies have been done under the auspices of the Access to Insurance Initiative (A2ii), which the ILO co-sponsors along with the International Association of Insurance Supervisors, the global standard setting body for the insurance industry, and other international development agencies.

Besides leading to regulatory changes, the diagnostic studies also identify interventions required to boost the supply of, and stimulate the demand for, microinsurance. Following up on the Zambian study, for example, to promote market development the Facility is testing its intensive country approach through a small grant fund, supported by FinMark Trust and the United Nations Capital Development Fund (UNCDF), which aims to catalyse microinsurance growth by funding new initiatives. To address the capacity-building requirements, training on managing partnerships and business planning was conducted for insurers and distribution channels during 2012.

© Facility

Technology has been addressing the tremendous changes of the mass market in the microinsurance industry, including saving costs, reducing fraud, creating new market opportunities and adding client value.

Eric Gerelle, IBEX, Switzerland

Other African countries, including Ghana, Rwanda, Kenya, Tanzania and Mali, are exploring ways to leverage health microinsurance (HMI) to extend universal health coverage to the informal economy. In Mali, the Facility is supporting a project by the Union Technique de la Mutualité Malienne (UTM) to pilot the implementation of a universal health insurance scheme for persons working in the agricultural and informal sectors.

In Senegal, the Facility is supporting a project through the Centre International de Développement et de Recherche (CIDR) in which insurers are collaborating to share financial risk and pool resources under a common administrative platform. In South Africa, Old Mutual is testing different approaches to market funeral insurance. It uses mobile phones and retail distributors for its "Pay When You Can" product that is sold through retail stores. It is also using a community-based approach with its Imbizo initiative. Imbizo is a multi-stakeholder programme that aims to provide comprehensive financial services linked to community structures so that insurance coverage can support community development and enterprise creation. The Facility is assisting Old Mutual to analyse its business and profitability drivers, which will be documented in a forthcoming case study.

Technology is contributing to the rapid expansion of microinsurance, acting as a driver to improve efficiency and unlock demand. In Nigeria, Hygeia Community Health Plan is piloting the use of biometric devices to improve service delivery and will examine the costs and benefits of integrating financial and clinical information systems. In Burkina Faso, the Facility assisted the Union des Assurances du Burkina Vie (UAB) to refine its strategy for more effective premium collection via mobile phones.

The Facility is also testing its innovation laboratory concept with Cooperative Insurance Company (CIC) in Kenya by supporting the insurer to develop its marketing strategy for its new mobile distribution channel, M-Bima (see Box 4).

Box 4 UNLOCKING DEMAND THROUGH MOBILE PHONES

CIC has introduced a new technology platform called M-Bima to strengthen the scale and efficiency of its microinsurance operations. The platform uses a money transfer service such as M-PESA for the collection of premium.

The first product launched on the M-Bima platform was the Jijenge Savings Plan. It provides clients with a convenient and safe way to build savings. M-Bima products are distributed through retail channels and direct sales, a new distribution approach for CIC, which previously relied on the partner–agent model. The Facility supports CIC to strengthen and monitor its new marketing and distribution strategy.

With support from the Facility, Cenfri is leading efforts to develop and roll out microinsurance training in Africa (see Box 5), and is working with insurers to identify what is required to reach scale on a sustainable basis.

CONTENTS

Box 5 CAPACITY BUILDING IN THE AFRICAN MARKETS

At Cenfri, Facility Fellow David Saunders helped develop the training programme, Microinsurance Business Strategies for African Markets. This programme focuses on current market trends, client behaviour, innovative business models, business-relevant microinsurance regulation and improving client value, helping participants to develop the requisite tools and resources to build a focused microinsurance business strategy. The course was offered in Cape Town in July 2012 and attended by 31 practitioners, regulators and technical assistance providers from Botswana, Ghana, Kenya, Mauritius, South Africa, Swaziland and Zambia. Because of its success and significant demand, the programme will be offered again in Kenya in May 2013.

© Cenfri, University of Stellenbosch Business School & Facility

Participants attending the Microinsurance Business Strategies for African Markets training in South Africa

ASIA AND THE PACIFIC

The Facility's proposed intensive country focus is particularly appropriate in Asia (excluding India, which is covered next) and the Pacific where countries are quite diverse in terms of size and development level. Such an approach would build on the experiences of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Asian Development Bank (ADB), which have supported microinsurance development in the Philippines by facilitating dialogue among diverse stakeholders including the Government, existing and potential providers, and potential customers. In doing so, GIZ created critical momentum that led the Government to promote a more enabling environment (see Box 6).

Box 6 FORMALIZING INFORMAL INSURANCE IN THE PHILIPPINES

In the Philippines, many organizations were offering insurance informally, without a licence, even though the Insurance Code clearly stipulated a certificate of authority was mandatory. In January 2010, the Insurance Commission, along with other regulators, announced the termination of informal insurance or "insurance-like schemes" within a year. Organizations were given the option to either become a distribution channel for a commercial insurer or, within two years, incorporate themselves as a licensed insurer or a mutual benefit association. With lower capital requirements, the mutual benefit association option created space for regulated, second-tier providers (including member-owned bodies) to offer basic insurance products. In effect, the regulations formalized existing informal insurance provision, which evaded compliance costs and represented unfair competition.

The Facility's partners in the Philippines are also developing new products and partnerships to leverage the changing environment. For example, the recent changes to banking regulations mean that rural banks can now directly offer insurance services, creating an opportunity for the Rural Bankers Association of the Philippines (RBAP) to diversify its product menu. The rural banking sector serves an estimated 900,000 borrowers. Over two years RBAP will deliver training and build capacity to enable more than 1,000 rural bank branches to become microinsurance agents and launch new products. The challenge is to extend the banks' thinking beyond mandatory credit life.

Box 7 ADJUSTING PROMOTION AND DELIVERY ACCORDING TO MARKET NEEDS

© Pioneer Life

Presentation of Pioneer Life product to families of migrant workers

Pioneer Life focuses on the dynamics and psychology of specific communities, marketing microinsurance as an investment rather than as savings. Its target market is migrant workers and their families. This population remits funds home and understands investment as a long-term commitment, associating it with their aspiration to affluence. And with all sectors of Philippine society having embraced smartphones, Pioneer Life is forging ahead with sales via social media, constantly repackaging its sales incentives to maintain market momentum.

Pioneer Life understands that client education, product design and marketing depend on having a distribution channel that is known and trusted by its clients. Hence, it works with faith-based organizations to leverage the support and the trust they have among their congregations.

Another partner, Pioneer Life, is serving the significant migrant population of the Philippines through new products and partnerships (see Box 7).

Facility Fellows have made a significant impact in the Asia-Pacific region in 2012. Hosted by the Pacific Financial Inclusion Programme (PFIP) in Fiji, Barry Maher forged partnerships that led to the Pacific region's first community-based microinsurance scheme by providing insurance education, practitioner training, and advocacy for country diagnostic studies to be undertaken by the ADB and A2ii. In Timor-Leste, Carol Stewart worked to build microinsurance from scratch as an integral part of the Government's financial inclusion strategy. She was instrumental in the development of the first regulated microinsurance product in Timor-Leste. Also hosted by the PFIP, Oliver Ullrich created partnerships in Papua New Guinea to build awareness of microinsurance among potential providers. In Bangladesh, Agrotosh Mookerjee provided strategic and technical support to SAJIDA Foundation to improve its microinsurance products.

© Stewart

Facility Fellow Carol Stewart facilitating a focus group with clients in Timor-Leste

INDIA

An estimated 60 per cent of microinsurance clients worldwide are in India. In 2010, 163 million low-income Indians had life, agriculture or livestock insurance, and millions more were covered by government-subsidized mass health schemes. India's exponential growth in microinsurance is largely facilitated by the Government's carrot-and-stick approach of subsidies and regulations (see Box 8). The regulations, the first in the world to recognize microinsurance as a specific line of business, are currently under review. Under discussion is the creation of product standards, so that all products would ensure a minimum level of value and insurers would be encouraged to compete on other facets besides product design.

Box 8 HOW THE INDIAN GOVERNMENT PROMOTES MICROINSURANCE

The Indian Government has used insurance as a tool to achieve public policy objectives, including expanding social protection and promoting financial inclusion. It has used a carrot-and-stick approach to leverage insurers' experience and stimulate investment in the sector. The insurance supervisor, the Insurance Regulatory and Development Authority (IRDA), requires insurers to originate a percentage of their portfolio from the rural and social sectors; at the same time, other government departments contract private insurers to manage state or central government-subsidized schemes including health and agriculture insurance. An important success factor is the availability of effective distribution, which the IRDA supports by allowing aggregators such as MFIs, NGOs, self-help groups and cooperatives to operate as microinsurance agents, with fewer certification requirements than must be met by traditional agents.

© ILO, Lord R.

Doctor treating villagers in Ghanparthanda, India

CONTENTS

© IFFCO-Tokio

After introducing RFID and changing business processes we could finally measure true mortality incidence rate of cattle as we were able to correctly identify the insured animal. We realized that rich farmers are poor risks, and poor farmers are rich risks.

K. Gopinath, IFFCO-Tokio General Insurance Ltd, India

The Facility has a number of partners testing various business models and products. In one project ICICI Lombard participates as an implementing partner in the Rashtriya Swasthya Bima Yojana (RSBY) health insurance scheme sponsored by the Ministry of Labour and Employment. The project aims to develop viable outpatient (OP) benefits to complement the inpatient (IP) cover already provided under RSBY. In RSBY, the financial risk and many aspects of operations are outsourced to insurers, while the Indian Government provides premium subsidies to cover families below the poverty line and monitors the entire scheme. Using the emerging results from this pilot, the Government has now decided to include OP benefits in RSBY as it expands and renews across India.

Technology has assisted in scaling and building a business case for different products. The pioneering efforts of Financial Inclusion Network & Operations (FINO) in promoting financial inclusion have created opportunities for others. As a primary service provider for government-driven health insurance, FINO has brought the smartcard platform to mass scale. It is also using the banking correspondent's distribution model to cross-sell insurance and telemedicine products, accessing hitherto untapped markets. IFFCO-Tokio's experiment with a radio frequency identification (RFID) device to identify insured cattle has shed new light on the true loss ratios and mortality rates of cattle, which were previously masked by high fraud rates (see Box 9).

Box 9 IMPROVING CLAIMS PROCESSES AND CLIENT VALUE OF LIVESTOCK INSURANCE

© Facility

Tagging cattle using RFID technology

IFFCO-Tokio has improved its claims processes such that the viability of the product and the value proposition for farmers are improved (Dalal et al., 2012). When an insured animal dies, the farmer calls the insurer's representative. The representative visits the farmer within six hours of notification and verifies the claim with the help of the RFID device inserted in the animal during enrolment. The representative verifies a reading of the RFID chip with the identification number on the policy. Farmers appreciate the quick response time so they can dispose of the carcass as soon as possible.

In the pilot stage IFFCO-Tokio processed most claims within eight to 30 days, a significant improvement when considering that livestock claims previously took up to six months to process. Since IFFCO-Tokio uses its own representative for the verification, it gained greater control over the process, reducing the chances of fraud. The claims ratio fell to 35 per cent, a significant drop from historic ratios of 150 to 300 per cent.

The Facility's focus on information gathering and capacity building brought researchers and implementers together for a Knowledge Sharing Forum on the Impact of Health Microinsurance in New Delhi in September 2012. Three India-based and two Africa-based impact studies yielded lessons on action research methodology and the role of external factors in HMI uptake, which will feed into the Facility's HMI agenda.

CONTENTS

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Participants at the Knowledge Sharing Forum on the Impact of Health Microinsurance in India

CONTENTS

© Fonkoze

For many years, I watched women entrepreneurs struggle to climb the ladder out of poverty, only to be knocked down time and time again by catastrophic losses from hurricanes or earthquakes. Now, for the first time, MiCRO has made it possible for those women to quickly recover their losses, rebuild their source of income, and avoid a potential poverty trap.

Anne Hastings, Fonkoze, Haiti

LATIN AMERICA AND THE CARIBBEAN

The first quantitative study of the microinsurance landscape in Latin America and the Caribbean, conducted by the MicroInsurance Centre, reveals that coverage is highly concentrated in only a few countries. While nearly 45 million people (and properties) in 19 countries had microinsurance coverage, 90 per cent are in just five countries, and over 55 per cent in Mexico and Brazil alone. Coverage for personal accident, health and property has increased, suggesting an evolution in microinsurance toward products that clients demand.

Around 90 per cent of the nearly 100 organizations researched are formally regulated, commercial insurers. In Latin America, microinsurance development has been mainly commercially driven with little donor intervention or regulatory prompting, unlike in Africa and Asia. However, national financial inclusion strategies (e.g. in Mexico, Brazil and Colombia) are leading the way in promoting linkages between insurance and social protection schemes (e.g. conditional cash transfers). Governments and donors are actively pursuing different approaches to develop the industry, such as agricultural insurance schemes in Mexico and catastrophe protection in the Caribbean (see Box 10).

Box 10 FONKOZE'S CATASTROPHE INSURANCE PRODUCT

Repeated natural disasters pushed Facility partner Fonkoze, a Haitian MFI, to look for an innovative risk management solution to protect itself and its clients. In partnership with key public and private organizations, it formed the Microinsurance Catastrophic Risk Organization (MiCRO).

MiCRO provides index-based insurance for the MFI and its clients based on rainfall, wind speed and seismic activity. When these parameters exceed a predetermined threshold, a payout is triggered to the MFI. MiCRO also provides basis risk protection: if there are no payouts based on the index trigger but clients suffer an actual loss, MiCRO covers 85 per cent of the so-called basis damage, up to an aggregate of US$ 1 million per year. The actual loss is based on an assessment of clients' losses conducted by the MFI.

© Fonkoze

In 2011, due to extended rains, the first parametric payout (US$ 1.05 million) was made to Fonkoze. Fonkoze then assessed the damage suffered by its clients and paid benefits to 3,800 clients, including loan write-offs and a per-claim cash payment of US$ 125.

Clients of Fonkoze

A2ii is planning to conduct four country diagnostic studies in the region to support supervisors to create an enabling environment for inclusive insurance markets. Facility Fellow Sergio Vélez is hosted by Fasecolda, the federation of Colombian insurers, to analyse the Colombian regulatory framework and its implications for microinsurance. In collaboration with A2ii, he is providing technical expertise contributing to a national microinsurance strategy.

The Facility is also working with strategic partners like the Inter-American Development Bank (IDB) to consolidate, translate and disseminate Spanish content materials to make them more accessible and meaningful for users.

Our innovation grantees in the region are primarily focused on testing different distribution approaches. Don Juan, a specialist Mexican microinsurance broker, and Bradesco Seguros, the insurance arm of the leading Brazilian retail bank, are seeking to extend their distribution networks by strengthening retailers that operate in low-income communities. As these outlets use technology to enable customers to pay, buy mobile phone top-ups, and access financial services, microinsurers can piggyback on existing distribution networks. Don Juan is testing a combined technological and personal service model in which small shopkeepers are trained to sell and service microinsurance products. Bradesco Seguros is working with an established network of banking correspondents as well as local distribution channels, including small enterprises such as locksmiths and hairdressers, who are part of the day-to-day lives of the target population.

In Nicaragua, Instituto Nicaragüense de Seguros y Reaseguros (INISER) has modelled an innovative product, business process and alternative marketing to expand its portfolio into microinsurance (see Box 11).

Box 11 INNOVATING PRODUCTS AND BUILDING CAPACITY IN NICARAGUA

The Facility's capacity-building partner INISER, an established, regulated insurance company in Nicaragua, is phasing in a microinsurance programme over five years. It aims to improve its own capacity to handle microinsurance and gradually introduce five new, affordable products with simple processes to satisfy demand among the most economically vulnerable. The broad network of distribution and payment channels includes MFIs, cooperatives, supermarkets, associations and municipalities.

© INISER

Awareness talk on preventive health by INISER

Familia Segura, a simple product targeting the needs of women and families, combines life insurance (including funeral expenses, supermarket vouchers and cash support) with preventive health coverage. Seven hundred women have been trained as preventive health educators, boosting client uptake considerably. The product will be adapted and scaled up across the country.

Core business will also benefit from the significant IT investment in a dedicated sales and marketing platform with a service-oriented architecture. The integration of the information systems between INISER and the distribution channels is a critical success factor.

CONTENTS

PART 3. THE FACILITY'S LEARNING JOURNEY

The Facility continued its learning journey in 2012 with innovation grantees, capacity-building partners and research studies generating many new lessons on the two core issues of client value and viability. These lessons serve as valuable inputs for the capacity-building and knowledge-management activities in the next phase of the Facility.

Here we provide selected lessons on: proving and improving client value; unlocking demand; and aligning scale, quality and viability.

PROVING CLIENT VALUE

There is growing evidence of the impact of microinsurance. When coupled with risk prevention and mitigation, and supplemented by other risk-managing financial services such as savings and emergency loans, microinsurance can play a critical role in efficient risk management and contribute to poverty alleviation. In 2012, the Facility published 18 research papers and other knowledge products (see Annex II), contributing to the expanding knowledge base about the impact of microinsurance.

HMI remains the most researched type of microinsurance. This makes sense as healthcare expenses alone drive approximately 100 million persons per year into poverty. Several rigorous studies demonstrate that HMI reduces out-of-pocket health expenditure and increases the utilization of health services (Radermacher et al., 2012). For example, Polonsky et al. (2009) found that insured persons visited health facilities 3.5 times more often than uninsured persons; Jütting (2004) found that policyholders spent 45 to 51 per cent less on out-of-pocket expenses for health care; and Aggarwal (2010) found that insured persons borrowed 30 to 36 per cent less than uninsured persons to finance surgeries.

From research supported by the Facility, Dercon et al. (2012) conducted a randomized control trial in Kenya, which found a reduction in total medical expenditure and IP costs for clients. The study also found positive effects on household non-food consumption and per-capita consumption. Having insurance reduced the probability of borrowing from informal sources to cover medical costs. In terms of health outcomes, results from Guinea and Bangladesh show access to health services and insurance to be associated with a reduction in maternal and child mortality (see Box 12).

Box 12 REDUCING MATERNAL MORTALITY IN GUINEA AND BANGLADESH

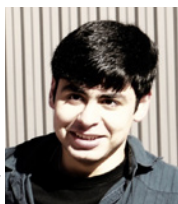
In Guinea, CIDR launched a "safe motherhood" HMI product to cover deliveries at hospitals. The product also included emergency evacuation by ambulance and value-added services, such as antenatal visits. In the first period of cover, the product's largest impact was on maternal mortality: two deaths out of 1,271 deliveries were recorded, resulting in a maternal mortality rate of 0.26 per cent, compared with a rate of 4.52 per cent as measured by a household survey of the same population before the product launch.

SAJIDA Foundation in Bangladesh is a microfinance programme with 500,000 members. SAJIDA offers a mandatory insurance package consisting of health, life, education and disaster (mainly fire) cover. The microfinance programme includes rapidly expanding value-added services where health workers provide on-the-doorstep primary and preventive health services, with a focus on maternity care and safe deliveries. Health workers perform simple diagnostic tests (pregnancy, blood pressure, blood sugar) for clients and their households at subsidized rates, identify needs by conducting regular health surveys, encourage and refer expectant mothers to hospitals to deliver, and follow up after discharge. Members assisted by the health worker to have a hospital delivery have experienced a child mortality rate of 1 per cent and with no maternal deaths, compared with births at home where the child mortality rate has been 5 per cent and the maternal mortality rate has been 0.6 per cent. Mothers delivering at a hospital without the prenatal attention of the health worker experience a child mortality rate of 1.6 per cent. The indications are, as might be expected, that hospital births significantly reduce mortality risks but also that the involvement and attention of the health worker during pregnancy lowers even further the child mortality risk for hospital births.

The benefits of insurance are not limited to health. New evidence shows that small-scale farmers and microentrepreneurs take more risk and invest more in their businesses when they know they are protected. Cai et al. (2010) find in China that insurance for sows leads to higher investment for farmers who are willing to buy the insurance. An experiment in Ghana (Karlan et al., 2012) reveals that rainfall insurance leads to significantly larger agricultural investment and higher-risk, higher-return production choices by farmers.

IMPROVING CLIENT VALUE

Despite the emerging evidence about the impact of microinsurance, many products still do not offer sufficient value to clients. This is especially evident when products and processes are evaluated holistically across the four dimensions of the PACE (Product, Access, Cost and Experience) tool. PACE is a Facility-developed client value assessment tool that helps organizations evaluate products and processes from the client's perspective (see Box 13). Facility partners are using the PACE tool to gather evidence and improve the value of their offerings (see Box 3). This section uses the PACE framework to highlight some of the lessons and developments among the Facility's grantees and partners.



© Naya Jeevan

PACE is all about listening. You really have to think from the client's perspective, as business is there to provide solutions for them.

Owais Rasool,
Naya Jeevan, Pakistan

Box 13 THE PACE TOOL

The PACE tool focuses on improving client value. It encourages organizations to evaluate both product specifications and related processes, and check whether they are appropriate, accessible, affordable, responsive and simple. The tool is structured into the following dimensions:

- Product: describes appropriateness by reviewing coverage, benefit level, eligibility criteria and availability of value-added services
- Access: focuses on accessibility and simplicity by investigating choice, enrolment, information, education, premium payment method and proximity
- Cost: measures both affordability and value for money
- Experience: assesses responsiveness and simplicity by looking at claims procedures and processing time, policy administration, product tangibility and customer care.

PRODUCT

For HMI, low-income households place greater value on products that provide tangible benefits. Thus, they perceive an IP product that only covers an infrequent though potentially catastrophic event, such as hospitalization, as a low-value proposition. Recent research validates this perception. Bhandari et al. (2010) show that the number of households falling below the poverty line in any one year is three times higher due to OP expenditures than IP expenditures. Two solutions can address this issue: insuring some OP risks (see Box 14) and bundling value-added services (VAS), such as a dial-a-doctor service, with IP cover.

Box 14 INSURING OUTPATIENT RISKS

Incentivizing access to OP clinics (along with prevention mechanisms) provides better value to clients and may lead to lower overall costs for HMI insurers. Clients can be treated faster and OP treatment costs less than hospitalization. Besides lowering the costs of care through early treatment, it also allows clients to avoid or reduce the economic costs of being ill, including lost wages and out-of-pocket costs.

© Facility

Jasmin Suministrado and Jeanna Holtz with CARE's village health champions in India

In India, CARE Foundation offers an OP HMI product through an innovative self-insurance scheme, co-conceived and evaluated by the Facility's research partner, the Centre for Insurance and Risk Management (CIRM). The product offers "at the village doorstep" visits by a health worker called a village health champion (VHC). VHCs are trained to provide basic health services and use technology-enabled diagnostic protocols with the support of remote doctors accessed via mobile phone. The policy covers general medical consultations and a range of common, low-cost, generic medicines (e.g. paracetamol, cough syrup) that the VHC can dispense to clients upon consultation, and with a validating order from the remote doctor, with the potential to treat the most common primary health complaints.

Higher utilization of affordable, village-based primary care services was associated with an average reduction of 2.5 days in the time taken to seek treatment. At the same time, hospitalization expenses decreased by INR 570 per insured household during a six-month recall period (reflecting an average of 0.5 fewer days per year in the hospital), more than offsetting the INR 300 premium charged for the OP HMI product.

CONTENTS

© Naya Jeevan

Value-added services provided by Naya Jeevan in Pakistan

A number of HMI practitioners, primarily in the Indian subcontinent, have begun to experiment with VAS to enhance the appeal of a basic HMI product. Some HMI practitioners provide preventative VAS, examples being health talks and camps, where the emphasis is on better habits and health-seeking behaviour through health education. Other schemes offer access to either discounted or low-cost medicines. VAS are of interest to insurance providers because of their significant potential to improve both client value and viability. For clients, VAS could provide a tangible, more immediate value (compared with just IP insurance) and, in theory keep clients healthier, and hence more productive. VAS can generate business value by reducing policy acquisition and claims costs. By promoting higher renewals, VAS could play a role in managing adverse selection, reducing the propensity of clients to selectively enrol when they expect to use the benefits provided.

© Pott

Microinsurance institutions need to begin to attach services that address outpatient issues and provide preventive services, if they want to get involved in the hospitalization insurance schemes

John Pott, independent consultant and author of Facility's paper on "Value-added services in microinsurance", USA

If VAS promote earlier diagnosis and the provision of primary care, they could also reduce the frequency and intensity of IP care, hence reducing claims costs for IP HMI schemes with which they are bundled. Dial-a-doctor hotlines, for example, are relatively cheap to administer and popular with clients (see Box 15).

Box 15 THE DIAL-A-DOCTOR VALUE-ADDED SERVICE

A dial-a-doctor service provides virtual consultations for patients and can be bundled with a HMI product as a value-added service. In India, two large government-supported HMI schemes, Aarogyasri and Kalaignar, provide the service. The Aarogyasri operation receives 25,000 to 30,000 calls a day servicing a population of 85 million and the Kalaignar scheme an estimated 15,000 calls a day serving a population of 72 million. Larger operators function as a call centre, with a team of nurses and doctors placed in a central location and accessible through the call centre. The more sophisticated programmes make use of clinical diagnosis algorithms, which enable incoming calls to be dealt with by nurses at the call centre. The nurses make a diagnosis and provide clinical advice on relatively simple cases (e.g. treatment of conditions with over-the-counter medicines). When cases are more complicated (e.g. when there is a need for prescription drugs), nurses refer the case to a call centre doctor. Smaller schemes by organizations such as Uplift and Naya Jeevan use one or two in-house doctors to answer calls from clients.

The most encouraging finding is that almost 70 per cent of incoming calls for medical advice (typically for gastrointestinal, fever, and other common ailments) are resolved during the call, resulting in time and cost savings for clients and schemes. The remaining 30 per cent of calls require referral for an in-person consultation with a doctor.

Source: Pott and Holtz, 2013

CONTENTS

For index insurance products covering agriculture and disaster risks, one of the main product limitations is the presence of basis risk – the difference between benefits paid as determined by the index and the policyholder's actual losses. To enhance the client value of such schemes, MiCRO in the Caribbean is experimenting with a hybrid meso- and individual-level insurance solution that combines the index with on-site claims verification and includes a guarantee fund to cover the basis risk (see Box 10).

Product enhancements can also include more effective combinations of savings and insurance. These improvements may take different forms, from embedding insurance into savings accounts (see Box 16), to promoting simple endowment policies (life insurance with long-term savings), or providing solutions to manage health shocks with saving accounts to pay for OP care combined with insurance for hospitalizations.

Box 16 SAVINGS AND INSURANCE IN GHANA

In 2011, MicroEnsure and StarLife Assurance launched a savings-linked life insurance product with a bank that had been experiencing low account balances and limited transactions. Although the bank had over 100,000 depositors, more than 85 per cent held a balance under US$ 60. The bank wanted to provide an incentive to customers to increase their savings balance. With the new product, depositors who maintained a minimum balance of US$ 60 each month were entitled to free life insurance with benefit of up to US$ 180. Clients with a balance of US$ 120 were entitled to life insurance for their spouse and children as well.

In the first five months after product launch, deposits increased by 19 per cent. Deposits by clients with a balance below US$ 60 increased by 207 per cent in five months as clients saved more to access the free insurance. This increase, along with anecdotal evidence from interviews with depositors, suggests that many changed their savings behaviour in order to access the insurance cover.

Source: Churchill et al., 2012

ACCESS

Even the most attractive product can fail because of minor obstacles during enrolment. Simple documents and registration procedures, effective communication about product benefits and claims processes, the right premium financing method and the proximity of access points all enhance accessibility. Technology often plays an important role, but it needs to be supported by business processes (see Box 17).

CONTENTS

Box 17 SIMPLIFYING ENROLMENT

© AIC

AIC's enrolment process in Haiti

Alternative Insurance Company (AIC) in Haiti simplified its enrolment to provide a better product experience to clients and delivery channels. With the development of its funeral product, Protecta, AIC has allowed direct enrolment by the salesperson with the policy document issued at the moment of the transaction. Four identification documents are accepted: elector card, passport, identity card or driving licence, providing options for low-income households. The photo for the policy is taken on the spot using a webcam. The integration of these elements has enabled AIC to provide a temporary identification card and signed contract at the time of transaction, and the actual bar-coded card is delivered within five to eight days.

© Metcalfe

We found that in Ghana lack of knowledge about the insurance, its benefits and how it worked, was not the most important barrier for MFI clients to enrol in the National Health Insurance Scheme. Bigger barriers were related to people not having money at the time of enrolment to pay premium and fees; or that people just did not get around to enroling - they reported that they intended to enrol, but did not.

Marcia Metcalfe, Freedom from Hunger, USA

Client value hinges on having an informed client base, for which consumer education is potentially critical. It is becoming clear with more evidence that consumer education can improve knowledge of insurance. For example, in Kenya, Microfinance Opportunities (MFO) and the Association of Kenya Insurers (AKI) found radio to be a cost-effective channel to raise awareness and increase knowledge about insurance. Using a more traditional delivery model of health insurance workshops, Freedom from Hunger (FFH) found that the education increased clients' knowledge of insurance; however, its impact on the purchase of insurance was unclear. There were no significant differences in insurance registration and enrolment in Ghana's National Health Insurance Scheme between those who received education and those in the control groups who did not.

Even when it is positive, the effects of consumer education on demand seem to be lower than the effects of price discounts or trust-building activities (De Bock and Gelade, 2012). The mixed results suggest that there are different pathways to any decision to buy microinsurance.

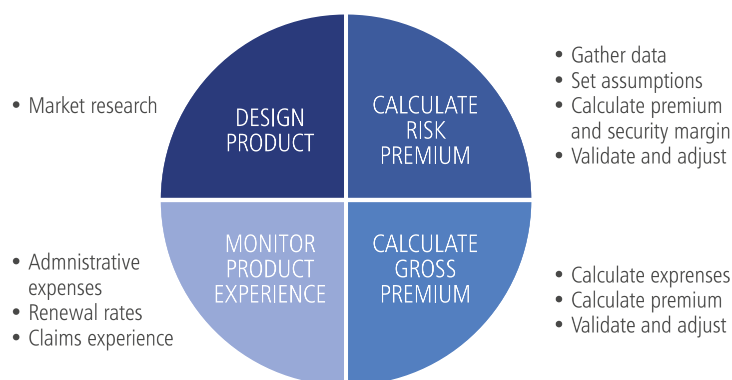
Consumer education is important for reasons other than demand. It is an integral part of consumer protection to ensure that policyholders understand how to claim, how to complain if a valid claim is not honoured, and what to do if they experience inappropriate sales practices. In addition, education helps clients make better risk-management choices. But running consumer education programmes, especially good ones, is expensive and could justify support from donors, governments or industry bodies, as the programmes contribute to a public good and provide benefits for the entire insurance industry.

CONTENTS

COST

How should insurers set the premium for microinsurance products given the scarcity of data on client risks? The Facility's forthcoming publication, *Pricing for microinsurance: A technical guide*, provides several techniques and lessons for insurers to consider when pricing their product. Pricing is a continuous process (see Figure 2) that includes both a short-term cycle, in which various iterations between product design and final price should be considered, and a long-term cycle in which monitoring administrative expenses, renewal rates and the claims experience are key for future pricing review.

Figure 2 THE INSURANCE PRODUCT PRICING CYCLE



Source: Pricing for microinsurance: A technical guide, forthcoming

These steps, used in traditional insurance pricing, must be adapted to the microinsurance context where little data are available. Until more microinsurance programmes gather more claims experience, the most common pricing approach is based on "exposure". In exposure pricing, the missing experience data are replaced by analytical assumptions for the relevant components of the premium formula. With time, providers should be able to use their own claims experience to fine-tune their assumptions and pricing models. Careful monitoring of product performance is also required. This implies that all relevant persons, from management to frontline staff, should give monitoring tasks sufficient priority and know how to undertake them. For example, in Jordan, after an annual performance review of its hospital cash product, Microfund for Women (MFW) and its insurer reduced the monthly premium, increased the daily benefit and increased the total number of nights allowed per year.

When products perform well, and clients have demonstrated an ability to pay the premium, an alternative to lowering premium is to enhance the benefits based on a thorough understanding of client needs and preferences. When BASIX, an MFI in India, first introduced credit life, a lack of actuarial data made it difficult to price and conservative assumptions were used. After one year, the mortality experience was better than expected. The premium could have been reduced by 50 per cent, but instead the product was redesigned to cover the borrower and spouse for the same premium.

CONTENTS

EXPERIENCE

For insurance, "use" is synonymous with "claims" and improving claims experience is a sure way to improve the value proposition. Simplifying the claims processes not only improves efficiency but also benefits the client. For example, IFFCO-Tokio introduced a livestock insurance product because it wanted to make its suite of products more relevant for a specific distribution channel, rural banks. During its pilot it changed the product and enrolment and claims processes to make operations more efficient, gain control, and improve viability (see Box 9). Several of these business-motivated decisions have had a positive impact on the client value of the product (see Table 2).

Table 2 ACHIEVING CLIENT VALUE AND VIABILITY FOR LIVESTOCK INSURANCE

CLIENT VALUE DIMENSION	CHANGE	CLIENT VALUE	BUSINESS RATIONALE
Product	Removal of exclusions, provision of VAS such as vaccination	Better cover and healthier cattle	Simpler policy, easier to explain during enrolment; healthy cattle pose lower risk
Access	Door-to-door service for enrolment	No need to travel for enrolment	Clients work with IFFCO-Tokio directly
Cost	Lower premium and transaction costs	Lower cost	Attract distribution partners
Experience	Faster claims processing	Receive money sooner	Greater control over process, reduction in fraud; brand building

Source: Dalal et al., 2012

Distribution channels can play a larger role in claims processing. A review of MFIs highlights the various innovations that MFIs have implemented to improve claims processes and make them client-centred (see Box 18). Many of these innovations can be applied by other distribution channels.

© Facility

PLG members participating in knowledge sharing in Tanzania

Box 18 INNOVATIONS TO IMPROVE CLAIMS PROCESSING BY MFIS

Claims advances for clients: MFIs can advance a portion of claim payments to clients while claims are being processed. This helps clients with immediate needs, and reduces the need to borrow. For example, Prodem FFP in Bolivia advances a quarter of the benefit for life insurance (US$ 365) within 24 hours after a claim is submitted, to cover burial costs. The insurer pays the balance (US$ 1,100) within 15 days of the death certificate being submitted.

Delegation of claims approval: Another option is for an insurer to delegate authority to the MFI to approve payment of some (or all) claims. Often an MFI is allowed to approve smaller claims, while the insurer approves larger claims, which may be more complex and carry greater financial exposure. For example, with MFW's hospital cash product, the MFI can approve claims for hospital stays of up to six nights; if a client is in hospital for more than six nights, her claim goes to the insurer for review and approval.

Delegation of claims payment: Some MFIs and insurers have set up a float whereby the insurer provides an advance to the MFI, from which it pays some or all claims on behalf of the insurer. At the end of each reporting period, the actual claims are compared with the float, with a net transfer made to reconcile the accounts.

Processing claims in-house: Some larger MFIs have set up in-house claims processing centres. BASIX in India, for instance, has a dedicated claims processing unit that acts like a third-party administrator (TPA). The MFI's objective was to standardize the processes and have greater control over quality.

Negotiating document requirements: Claims processes need to align with the circumstances of the low-income market. MicroEnsure and Taytay sa Kauswagan (TSKI) in the Philippines found that the insurer's documentation requirements were burdensome for life insurance beneficiaries. As a result, the documentation requirements were reduced; for example, certificates or affidavits from village heads were accepted in place of death certificates.

Source: Churchill et al., 2012

UNLOCKING DEMAND

For microinsurance schemes to achieve scale, they first need to unlock demand. The evidence on the demand for microinsurance is disappointing: enrolment in voluntary insurance schemes is low, rarely above 30 per cent. The European Development Research Network, in partnership with the Facility, has reviewed more than 30 recent research studies providing empirical evidence on the factors influencing the demand for microinsurance (De Bock and Gelade, 2012). Although the evidence is not conclusive, several lessons can be drawn from this review. Trust, liquidity constraints, the quality of the client value proposition and behavioural constraints are the most important determinants of demand (see Table 3). Mitigating these challenges has the highest effect on take-up.

CONTENTS

Table 3 DETERMINANTS OF DEMAND FOR MICROINSURANCE

DETERMINANT	EVIDENCE AVAILABLE	EFFECT ON SALE
Trust	☺ ☺ ☺	High
Wealth and liquidity constraints	☺ ☺ ☺	High
Value proposition (actual and perceived)	☺	Medium – high
Behavioural incentives and constraints	☺	Medium – high
Access to other coping mechanisms	☺	Medium
Insurance awareness, knowledge and skills	☺ ☺	Low – medium
Personal characteristics	☺ ☺	Low

Source: De Bock and Gelade, 2012

A wide range of empirical evidence highlights the importance of trust in the take-up decision. Qualitative surveys point to the lack of trust in the management of a scheme as a reason to drop out of it or not enrol (Dong et al., 2009), and quantitative and experimental research shows that building trust substantially enhances the take-up of insurance (Cole et al., 2011; Dercon et al., 2011). Trust is difficult to build and easy to destroy. Some trust-building strategies include involving trusted messengers, making the product tangible and paying claims on time.

Wealth and liquidity constraints are another barrier to take-up. Cole et al. (2011) estimate that a 10 per cent increase in price would lead to a 7 to 11 per cent decrease in demand. Dercon et al. (2011) find that a 10 per cent increase in price causes a 7.6 per cent reduction in demand. While the price seems to have a great impact on willingness to buy insurance, a low price is, in itself, not enough to ensure high demand.

HMI provides most of the evidence of the causality between demand and the product value proposition. For example, the (perceived) lack of quality of health centres is often identified as one of the most important impediments to the take-up of HMI (Basaza et al., 2008). The importance of quality in driving demand is even more noticeable in the context of renewals, which are highly affected by the (negative) perception of value and a lack of information about the product (Platteau and Ugarte, forthcoming).

Even high value products face a challenge, as attitudes and behaviours towards insurance can further constrain demand. Cole et al. (2011) find that the only marketing strategy that works is warning households of the difficulties they could face in case of hardship if they did not enrol. Framing messages as losses works because people value more what they can lose than what they can gain (Dalal and Morduch, 2010). Making renewal a default option

CONTENTS

may help with persistency. Cai et al. (2011) find that take-up is higher when people have to opt out rather than sign up for insurance. A default option, however, must be clearly communicated, as an undesired renewal can exacerbate distrust in a scheme. Overall, the fact that attitudinal and behavioural constraints limit renewals suggests that good follow-up is crucial to build a sustainable microinsurance scheme. Platteau and Ugarte (forthcoming), for instance, found that people were more likely to renew if they had met an appropriate representative during the previous year.

Unlocking the demand for microinsurance is a multi-faceted challenge that requires providers to better understand client needs, create the value proposition and communicate it.

ALIGNING SCALE, QUALITY AND VIABILITY

For microinsurance to succeed, it needs to cover large numbers of low-income persons. The law of large numbers applies to insurance in general, as it enables loss rates to be estimated with better accuracy, but it especially applies to microinsurance since viability depends on many policies all contributing small margins to cover fixed costs. Scale also has an important social dimension since the ultimate intention is to help billions of low-income persons to manage their risks more effectively.

To provide quality products at scale, it is necessary to consider innovative business models and efficient operations, including the role of governments, commercial insurers, distribution partners and technology.

GOVERNMENTS

By far the most significant factor in the exponential expansion of microinsurance is government support, notably in Asia. Governments have used policy and regulation to stimulate microinsurance in various ways (see Box 8):

- By applying subsidies to enhance affordability (e.g. in India) aimed at extending health insurance to workers in the informal economy and protecting low-income farmers from weather risks and livestock mortality;
- Through public–private partnerships (PPPs) that apply private sector expertise to implement government programmes;
- By setting mandates or targets for private sector insurers (e.g. in South Africa and India) to compel or entice them to reach under-served market segments.

CONTENTS

The benefit is clear for governments: microinsurance can be an important mechanism to extend social protection coverage to those previously excluded, such as workers in the informal economy. Momentum for universal health coverage, or a system in which everyone can access healthcare services without financial hardship, is building around the world, in countries as diverse as Mexico, the People's Republic of China, South Africa, Indonesia and Ghana. Some governments are leveraging lessons from HMI initiatives to reach this goal (see Box 19).

Box 19 LEVERAGING HEALTH MICROINSURANCE TO INCREASE ACCESS TO HEALTH SERVICES

In some countries, such as Ghana and Thailand, HMI has become the foundation for national programmes. This sequencing has sensitized communities to the value of insurance, helped to develop capacity for managing insurance at the local level, and provided an existing membership base. In other countries, including India, Kenya and the Philippines, HMI has been incorporated into the insurance industry. India's RSBY programme has shifted risk to a strong private insurance market, while Kenya and the Philippines have looked at existing HMI and organized group structures to facilitate enrolment.

As public sector offerings expand (e.g. in many Latin American countries), the role of HMI appears to evolve to provide either complementary benefits or additional financial protection. In countries with more recent government programmes, such as Ghana, community-based insurers have adapted their benefit packages to be consistent with the national health schemes.

However, working with governments can prove challenging for insurers. Government priorities can fluctuate, resulting in cut-backs and inability to deliver on promises. For example, elections disrupted a Facility partner's plans to pilot in a preferred location. Other partners have had education campaigns discontinued during election campaigns. In Kenya, CIC partnered with the National Hospital Insurance Fund (NHIF) to offer a composite product. The product was unilaterally redesigned by NHIF after the launch, and ultimately discontinued, as the revised package was no longer considered viable by CIC. Practitioners must be conscious of these challenges and the uncertainty that arises when working in multi-stakeholder PPPs.

COMMERCIAL INSURERS

Commercial insurance companies have a lot of expertise, but it can be difficult for them to adapt established systems and processes, designed for traditional clients, to the requirements of the low-income market. Insurers must recognize that product design is not the only change needed to serve the low-income market; traditional business practices, such as hiring and compensation, and processes for enrolment and claims processing will need to be reconsidered.

Distribution partners feel that the true test of an insurer's commitment to microinsurance is its willingness to adapt business processes to meet the needs of the low-income market. Such changes can have positive side effects. For example, commercial insurers can learn from their microinsurance experiences to improve their traditional lines of business (see Box 20).

CONTENTS

Box 20 REPLICATING MICROINSURANCE INNOVATION IN COMMERCIAL BUSINESS

To minimize transaction costs for TAMADERA, a microinsurance endowment product, Allianz Life Indonesia developed and piloted a web-based administration system (SisTam) that features a simple automatic underwriting logic based on the health and age of the applicants. SisTam enables distribution partners to independently perform administrative functions such as enrolment, claims submission, MIS reporting and premium collection. With SisTam, Allianz Life provided external parties with a direct interface with its information systems for the first time.

Building on the pilot, Allianz Life replicated features of SisTam in its commercial group health business, allowing corporate customers to register and maintain data for their insured members online. The microinsurance pilot provided Allianz Life with an opportunity to develop innovative processes, systems and protocols, and then apply them to its core business.

DISTRIBUTION CHANNELS

"Good" partnerships have been identified as a key to microinsurance success. Insurers, reluctant to employ direct sales in microinsurance, need to form partnerships with distribution channels. Given cost pressures and the need to reach scale, these partnerships are crucial (see Box 21). When forming a partnership, it is important to recognize that a partner's core business will always remain its priority. For example, Hollard Insurance in South Africa partnered with Jet Stores to distribute its property insurance product. After the product was introduced, Jet changed its merchandising and in-store strategy and increased the focus on its core product line, clothing, which prevented Hollard from using in-store posters and banners to advertise the insurance product.

Box 21 TOP TIPS TO BUILD A SUCCESSFUL MICROINSURANCE PARTNERSHIP

1. A successful partnership requires a clear understanding of the business and social opportunity that insurance represents. Financial incentives such as commissions may not be sufficient. Will insurance help partners manage risk, attract new customers or retain existing customers?
2. Alignment of vision and interest is critical. An assessment questionnaire or a third-party facilitator can help partners engage in genuine dialogue and identify potential issues as well as common ground at the outset.
3. Trust and commitment are required from both the executive and operational teams. Working together through challenges when they arise is a necessary part of developing trust and commitment.
4. Clear expectations of what the partnership can achieve are needed. Developing a joint business plan helps. The business plan need not be comprehensive, but it should be realistic and created collaboratively.
5. Partnerships become harder to manage as initial excitement wears off. Setting learning objectives and partnership goals and measuring progress against them can help maintain commitment.

Source: Rendek, 2012

CONTENTS

MFIs remain one of the most popular and effective channels for delivering microinsurance. Perhaps the most important incentive for staff of an MFI (and other distribution channels) is to see the strong link between insurance and their core business. If compensation is tied to loan repayment, and if insurance enables better repayment by protecting clients against relevant risks, staff will clearly see how they benefit from insurance. Vision Fund, an MFI in Indonesia, realized that when processes and performance targets were focused on credit operations, it was difficult to convince loan officers to promote insurance. Moreover, if insurance results are not a factor in staff evaluation and promotion, staff will perceive insurance as an additional burden.

When offering voluntary microinsurance, an MFI needs to sell to its target market. Loan officers often do not feel sufficiently confident to discuss microinsurance with their customers. Selling microloans, which are in high demand, is much easier. In Mexico, the MFI network Asociación Mexicana de Uniones de Crédito del Sector Social (AMUCSS) discovered that field staff who sell savings products are better suited to sell insurance since both products require staff to convince clients to trust the institution.

One option for MFIs moving to voluntary microinsurance is to offer a "mandatory-plus" product. In this product evolution, the basic cover is mandatory, but there are voluntary add-ons or riders that can be purchased by the client. For example, credit-linked insurance could have an option to add hospital cash benefits or cover spouse and family members at an additional cost (see Box 22). Including a voluntary component introduces choice for clients and prompts field staff to take a more active role in providing insurance education and sales.

Box 22 MICROFUND FOR WOMEN'S HOSPITAL CASH PRODUCT

In 2010, MFW, a Jordanian MFI, introduced Caregiver, a hospital cash product, in collaboration with Women's World Banking and Zurich Financial Services. MFW started with a mandatory product that provided borrowers with cash payments after one night in hospital to help offset the incidental costs of travel to the hospital, lost wages, childcare and other expenses incurred during a hospital stay. Based on feedback from MFW's clients during the product design phase, Caregiver provided benefits for hospitalization due to childbirth, which was a high priority for MFW's primarily female client base.

After the successful roll-out of the mandatory product, MFW added a voluntary option for borrowers to enrol family members, in one branch in May 2012. This product is currently being pilot tested with 450 policies issued in the first month.

CONTENTS

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Mobile network operators control a range of communication channels that can support the promotion and sales of, and enrolment in insurance policies. They can allow insurers to handle routine customer enquiries and account management. They can also be used to streamline claims handling, which is one of the most important parts of the value chain to clients.

Camilo Tellez, Consultative Group to Assist the Poor (CGAP), USA

TECHNOLOGY

Many providers are leveraging mobile phones to improve efficiency and reach scale. Insurers can leverage mobile phone infrastructure for different aspects of the insurance value chain (see Figure 3).

Figure 3 LEVERAGING MOBILE PHONE INFRASTRUCTURE

RELEVANT MOBILE INFRASTRUCTURE	PRODUCT DESIGN	PREMIUM PAYMENT	MARKETING	SALES	CLIENT ENROLMENT	POLICY ADMIN	CLAIM SUBMISSION	CLAIM PAYMENT	RENEWALS
CLIENT'S TRANSACTIONAL DATA AIRTIME, MOBILE MONEY	■								
COMMUNICATION CHANNELS VOICE, SMS, USSD			■		■	■	■		■
RETAIL SALES AND DISTRIBUTION AIRTIME DEALERS, MOBILE MONEY AGENTS				■	■				■
PAYMENT MECHANISMS PRE- AND POST-PAID AIRTIME, OVER-THE-COUNTER MOBILE MONEY		■			■			■	
BRAND			■						

Mobile phones make product purchases possible, allow for premium payment through direct airtime payments or via a mobile wallet, and facilitate claims assessment and payment. Through text messaging and voice communication, insurers and distribution partners can confirm to clients whether enrolment has been completed, remind them that they need to have sufficient funds in their account for the next premium payment and inform them when a claim has been received. Mobile phones can also be used to provide VAS, such as weather forecast information through SMS, as provided by Weather Risk Management Services (WRMS) in India. Mobile phones can increase the efficiency of back-end processes. In India, for instance, FINO has developed a mobile phone-based learning module for staff training. Since the sales force is geographically dispersed, it is difficult and expensive to provide on-going training. FINO wants to test whether mobile phone-based training reduces costs and allows continuous learning.

CONTENTS

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Small stand selling mobile recharge cards in Tanzania

CONTENTS

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ANNEXES

CONTENTS

ANNEX I. FACILITY PARTNERS

INNOVATION GRANTEES, 2008 TO 2012

SUMMARY

Institutional model .... 6 active, 3 completed

Health .... 14 active, 6 completed

Property/Agriculture/Livestock .... 9 active, 2 completed

Life/Accident .... 4 active, 3 completed

Composite/Savings-linked .... 5 active, 3 completed

Consumer education .... 2 active, 2 completed

Other .... 2 completed

PARTNER	THEME	PROJECT	KEY ACHIEVEMENTS
AFRICA and the MIDDLE EAST (11 active; 7 completed)			
CERMES (Mali, Comoros, Senegal)	Health	Analyse feasibility of health coverage for migrant workers' families	Feasibility study conducted Key implementation stakeholders identified
Changamka (Kenya)	Health	Test savings as means to access national health insurance; leverage integrated technology (web-based claims, mobile phone)	Strong partnership established
CIC (Kenya)	Savings-linked	Develop savings-linked insurance; stimulate savings behaviour; retail via mobile phone	Marketing strategy finalized Improved retail distribution strategy
CIDR (Senegal)	Health	Achieve economies of scale by pooling resources of six insurers and creating a shared administrative platform for HMI	First groups enrolled in shared pool of products Agreement with Ministry of Health to establish service standards for public health facilities
CIDR/UMSGF (Guinea)	Health	Diversify HMI products to increase sustainability: mandatory coverage for school students; motherhood product	Two new products Reduced maternal mortality School products replicated in other CIDR programmes
FFH (Ghana)	Consumer education	Evaluate impact of consumer education on uptake and use of national health insurance	Education increased insurance knowledge, but not registration and enrolment
Hollard (South Africa)	Property	New property product Evaluate impact of financial education Test education delivery via mobile phone	Retail sales of new property product (house building and contents) 6,000 active policies Education via mobile phone piloted

PARTNER	THEME	PROJECT	KEY ACHIEVEMENTS
Hygeia (Nigeria)	Health	Deploy biometric enrolment and mobile payment systems	Pre-assessment report Back-end system implemented
ILRI (Kenya)	Livestock	Test livestock insurance based on relationship between livestock mortality and forage availability	New product for quick loss estimation 2,500 families covered Expansion within Kenya and to southern Ethiopia
MFO/AKI (Kenya)	Consumer education	Participatory radio campaign to move consumers from reactive to proactive risk management	Increased knowledge of insurance products, terms and policies Radio established as cost effective in building awareness, but limited impact on attitudes and trust
MFW (Jordan)	Health	Hospital cash product	First such product in Jordan 47,000 women covered Performance led to valuable improvements Piloted voluntary rider for family members
Old Mutual (South Africa)	Institutional model	Deliver funeral products	One-stop-shop for financial services Funeral insurance accessible via mobile phone Financial education workshops
Pioneer Assurance (Kenya)	Health	Terminated, due to failure of partnership	
Planet Guarantee (Mali)	Agriculture	Feasibility study of using average yield index for cotton	Study completed
SCC/CIC (Kenya)	Composite	Pilot and mass distribute composite product in a PPP with NHIF	Project terminated – changes in NHIF offering and other hurdles Coverage reached almost 17,000
IRI (Ethiopia)	Agriculture	Develop tools to develop new indexes and validate satellite rainfall data	Training sessions for local partners on use of remote sensing data
UAB (Burkina Faso)	Savings-linked	Daily collection of savings via mobile phone	Savings plus life insurance product launched First life microinsurance in Burkina Faso
UTM (Mali)	Health	Test national strategy to extend access to a national health scheme through health mutuals	Five communal mutual and two district unions created New product, 50 per cent subsidised by the Government

PARTNER	THEME	PROJECT	KEY ACHIEVEMENTS
ASIA and the PACIFIC (6 active; 5 completed)			
Allianz Life (Indonesia)	Life	Life insurance endowment product distributed via MFI	Product and processes developed, but difficulty in reaching scale Client satisfaction video competition
DID/SICL (Sri Lanka)	Agriculture	Insurance to manage weather-related risk	Feasibility study completed First weather-indexed insurance in Sri Lanka Insurance education for 50,000 farmers Additional IFC GIIF grant to extend coverage to tea crop
GRET (Cambodia)	Health	Pilot formal workers' health coverage in garment factories and test transition to national scheme	Biometric identification for enrolment and claims technology implemented National scheme delayed until 2013
ICARD (China)	Agriculture	Swine insurance scheme –deferred premium payment until end of insured period	Voucher system increased insurance purchase Low default rate (5 per cent)
Manulife (Vietnam)	Life	Insurance sales via mobile technology	Mobile infrastructure premature for added value Project terminated
Naya Jeevan (Pakistan)	Health	Employer-sponsored health insurance for domestic workers and provision of VAS	Innovative model (but barriers to scale) 15,600 clients and 82 per cent renewal rate
PGI (Mongolia)	Institutional model	Health insurance for small and/or medium entrepreneurs	Staff trained, product launched Project terminated due to slow progress
PICC (China)	Health	Accident and health insurance for migrant workers	Over 500,000 covered in the first year Low claim ratios identified Benefits of government sales channels (but also challenges)
Pioneer Life (Philippines)	Savings-linked	Church-based distribution of savings-linked life insurance	Over 4,000 policies sold Incentive scheme for church volunteers Extension of product to other markets
RADOL (Bangladesh)	Composite	Pilot involving six financial NGOs to make affordable life-plus microinsurance	Project terminated
RBAP (Philippines)	Institutional model	Assist RBAP to train and license regulated rural banks as microinsurance agents	126 licensed microinsurance agents (36 rural banks, 90 individuals), 8 million poor covered (0.5 million by RBAP), 75 rural banks licensed Microinsurance toolkit and literacy kit accessible online

CONTENTS

PARTNER	THEME	PROJECT	KEY ACHIEVEMENTS
INDIA (12 active; 5 completed)			
Amicus Advisory	Health	Test biometric cards to enhance efficiency of government-sponsored HMI	Smartcard application for OP and IP developed Training provided to 30 service providers for use of smart cards for OP
Calcutta Kids	Health	HMI plus OP counselling service	Project terminated
CARE Foundation	Health	Primary health care delivery via village health workers supported by remote doctor, bundled with voluntary OP insurance	1,000 families covered by OP product Reduced hospitalization expenditures, increased health seeking
CIRM	Other	Spatial mapping of microinsurance products and best practices in India	Online database developed which tracks data, insights and trends
Dhan Foundation	Agriculture	Weather-indexed crop insurance developed by mutual organization	Village infrastructure developed: 150 rain gauges in 15 locations 30,000 farmers literate in insurance Over 140 crop insurance leaders developed
FINO Fintech	Health	Distribute telemedicine and microinsurance products through agent banking delivery channel (business correspondent)	Product launched in one district 200 channel sales persons trained for combining insurance sales with accounts opening
ICICI Lombard	Health	Pilot OP benefits to complement RSBY's IP HMI	Biometric smartcard adapted for benefits delivery Over 700,000 covered; over 100,000 claims Government to integrate OP benefits into RSBY
ICICI Prudential	Life	Pilot insurance for informal tea workers using local community and tea estates as intermediaries	Insurance products introduced to hitherto unexposed population 3,000 enrolments
IFFCO-Tokio General Insurance Ltd	Livestock	RFID to identify insured cattle	Lower claims ratio and client value improvements Established livestock insurance as product line and RFID as identification mechanism
MNYL	Life	Simple savings and insurance product (Max Vijay) via retailers and partners	Over 90,000 policies activated (but only 20 per cent topped up) Product no longer promoted (active policies still being serviced)

PARTNER	THEME	PROJECT	KEY ACHIEVEMENTS
PWDS	Institutional model	Build capacity of community self-help group federations to link with insurance companies	Retail distribution channel developed, linked to insurance companies 20,000 families gained insurance literacy 25,000 covered by life insurance
SBI Life Insurance	Composite	Introduce new life and non-life composite product	Product awaiting regulatory clearance
VimoSEWA	Health	Impact study of preventive health education on insurance use for common illnesses	Insured use healthcare services more than the uninsured Ineffective OP interventions and failure to follow treatment regimen may drive hospitalization Education improved preventive health practices among urban households, but had no effect on hospitalization rates
SSP	Health	Test hybrid community-based HMI	Delivery models for low cost drugs developed Low cost OP services can reduce hospitalization and improve renewals Scheme discontinued due to challenges to reach scale and viability
Tata AIG	Livestock	Pilot mobile technology for enrolment and claims for a livestock insurance product to reduce transaction costs	Technology, areas of operation and distributions partners finalized
Uplift	Health	Savings-financed health product to attract non-borrowers; automate back-office functions for efficiency and scale	Product developed and launched
WRMS	Agriculture	Weather index based crop insurance solutions and comprehensive risk management solutions including sms based weather forecasts for better management of agricultural risks	Weather index based product introduced in new geographies 52 automated weather stations set up for collection and dissemination of weather data and facilitate claims settlement Over 20,000 farmers insured
LATIN AMERICA AND THE CARIBBEAN (11 active; 3 completed)			
AIC (Haiti)	Life	Protecta funeral insurance distributed via financial institutions	First voluntary product in Haiti Over 6,700 insured Innovative marketing and distribution strategy

PARTNER	THEME	PROJECT	KEY ACHIEVEMENTS
AMUCSS (Mexico)	Institutional model	RedSol rural distribution network	First network for voluntary microinsurance for rural organizations More than 40,000 active policies First product for small farmers using legal guarantee fund
Aseguradora Rural (Guatemala)	Health	HMI linked to BanRural savings and credit	Product launched in 900 branches Preventive health care delivered to female clients
Bradesco Seguros (Brazil)	Personal accident/ funeral	Distribution via point-of-sale (POS) technology and mobile phone	First microinsurance products launched under new legislation Distribution via existing banking correspondents network piloted New distribution channels enabled
CNSeg (Brazil)	Consumer education	Changing perception of microinsurance	Awareness and trust created Insurance industry interest catalysed
Don Juan (Mexico)	Institutional model	Distribution via POS technology in corner shops	Using POS technology for microinsurance transactions; 1,500 POS operating Sales piloted to distributors and shopkeepers
Fasecolda (Colombia)	Consumer education	Risks and insurance literacy campaign	330,000 people educated via radio campaign Improved knowledge and attitudes
Fonkoze (Haiti)	Property	Catastrophe microinsurance offered through MiCRO	First meso-level catastrophe product Over 60,000 people insured Claims paid after two extreme weather seasons
La Positiva (Peru)	Institutional model	Collaboration with rural water boards on distribution	New business line Refined business model for expansion beyond water boards
PROFIN Foundation (Bolivia)	Composite	Agricultural product linked to life and property cover	First commercial agricultural microinsurance product in Bolivia Product linked to government programmes Diverse local partnerships established
Protecta (Peru)	Institutional model	Collaboration with municipalities on distribution	Agreements to integrate microinsurance into public services Education campaign implemented

CONTENTS

PARTNER	THEME	PROJECT	KEY ACHIEVEMENTS
Seguros Argos (Mexico)	Institutional model	Creating mutual insurance schemes	Project terminated
Seguros Futuro (El Salvador)	Life	Microinsurance for migrants' families	Over 7,500 remittance-linked policies Distributed through credit and savings cooperative system
Zurich Brasil Seguros (Brazil)	Composite	Composite product allowing choice of cover	Product launched
OTHER (1 completed)			
Guy Carpenter (global)	Other	Micro-reinsurance risk-pooling facility to enable cost-effective and efficient risk transfer	India: multi-structure micro-reinsurance placement for six companies Southern Africa: micro-reinsurance transaction for new microinsurance company Mozambique: IFC GIIF grant to develop index-based agriculture microinsurance Haiti: New catastrophe microinsurance company

CONTENTS

STRATEGIC PARTNERS

As a catalyst for action, the Facility works with a diverse range of partners. Working with key strategic partners is part of the Facility's strategy to complement its own expertise, capacity and reach.

Access to Insurance Initiative

Australian Agency for International Development

Bill & Melinda Gates Foundation

Centre for Financial Regulation and Inclusion, South Africa (Regional Partner)

Centre for Insurance and Risk Management, India (Regional Partner)

European Development Research Network

FinMark Trust, Zambia (Regional Partner)

Inter-American Development Bank (Regional Partner)

MicroEnsure

Microinsurance Network

Microinsurance Learning and Knowledge / MicroInsurance Centre

Munich Re Foundation

United Nations Capital Development Fund

Z Zurich Foundation

CONTENTS

ANNEX II. KNOWLEDGE PRODUCTS, 2012

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De Bock, O.; Gelade, W. 2012. *The demand for microinsurance: A literature review*, Research Paper 26

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For all the Microinsurance Papers, Briefing Notes, and Research Papers go to:
http://www.ilo.org/public/english/employment/mifacility/knowledge/publ.htm

EMERGING INSIGHTS

EI 31: *Discounted outpatient services: A way to keep clients*
Theme: Health cover feature; Source: SSP, India

EI 32: *Sales commissions alone don't ensure success*
Theme: Partnership management; Source: A study on partnerships in microinsurance

EI 33: *Why reinvent the wheel? Use existing tools that work*
Theme: Processes and operations – Consumer education; Source: Seguros Futuro, El Salvador

EI 34: *TOP FIVE tips to build a successful microinsurance partnership*
Theme: Partnership management; Source: Webinar on Managing Partnerships in Microinsurance

EI 35: *Can insurance get by with a little help from friends?*
Theme: Demand; Source: A randomized experiment on the effect of social networks in insurance take-up, China

EI 36: *Families may not insure at all if they can't insure everyone*
Theme: Product design – remittance-linked product; Source: Seguros Futuro, El Salvador

EI 37: *It's not that I don't understand you, I don't trust you*
Theme: Demand, trust; Source: A study on health insurance participation, Kenya

EI 38: *Radio: A tool to raise awareness and knowledge cheaply*
Theme: Insurance literacy; Source: MFO/AKI, Kenya

EI 39: *The law of large numbers: How the Indian Government promotes microinsurance*
Theme: PPPs, linkages to social security; Source: A review of current trends in microinsurance, particularly in India

EI 40: *Teaching elephants to dance: Challenges facing commercial insurers entering low-income markets*
Theme: Commercial insurers; Source: A study of the experience of commercial insurers in low-income markets

EI 41: *Protecting clients and organizations from climate risks through meso-level coverage*
Theme: Climate change; Source: A study on the implications of climate change on microinsurance

EI 42: *Using technology to streamline end-to-end service delivery*
Theme: Technology; Source: A study on the use of technology in microinsurance

EI 43: *Tale of an intermediary: Customizing products and services through focused partnerships*
Theme: Partnership management; Source: RedSol and AMUCSS, Mexico

EI 44: *Process improvements leading to better client value in livestock insurance*
Theme: Client value and business viability; Source: A case study of livestock insurance from India

EI 45: *Train to a hire level*
Theme: Sales force training and incentive; Source: A study on sales force development in microinsurance

EI 46: *Applying microinsurance innovation to commercial insurance*
Theme: Organizational strategy; Source: Allianz Life Indonesia

EI 47: *When disaster strikes: Efforts by a MFI to improve claims processing*
Theme: Claims processing; Source: Fonkoze and a study on microinsurance innovations in MFIs

CONTENTS

EI 48: *Health microinsurance for safer motherhood*
Theme: Health outcomes; Source: CIDR, Guinea

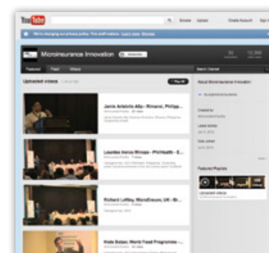
EI 49: *Production with protection: Evidence of insurance increasing farmers' investments*
Theme: Investment behaviour; Source: A study on the impact of insurance and credit on agricultural decisions

EI 50: *Beyond slogans: A ten-step planning model to promote microinsurance*
Theme: Promotion and sales methods; Source: AIC, Haiti

EI 51: *The power of peer exchange*
Theme: Facilitating learning; Source: A peer exchange visit with Old Mutual, South Africa

For all the Emerging insights, go to: http://www.microinsurancefacility.org/knowledge-center/emerging-insights

VIDEOS



Scaling up index insurance (Dr Jerry R. Skees, University of Kentucky)

The future of microinsurance (Andrea Keenan, A.M. Best Company)

Insights from India's microinsurance success: Government role in microinsurance (Rupalee Ruchismita, CIRM)

Teaching elephants to dance: Challenges facing commercial insurers entering low-income markets (Brandon Mathews, Stonestep GmbH)

Opportunities and challenges in health microinsurance (Jeanna Holtz, ILO)

Client value from microinsurance (Michal Matul, ILO)

The technology revolution (Eric Gerelle, IBEX)

Migration and microinsurance (Samia Kazi Aoul, ILO)

Crop and livestock insurance (Pranav Prashad, ILO)

Impact of health insurance education (Marcia Metcalfe, FFH)

Value-added services in health microinsurance (John Pott, independent consultant and Jeanna Holtz, ILO)

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CONTENTS

Box 23 PROTECTING THE POOR: A MICROINSURANCE COMPENDIUM

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Launch of the Microinsurance compendium at a research conference in Twente, The Netherlands

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Interactive launch of the Microinsurance compendium in Geneva, Switzerland

The second volume of the *Microinsurance compendium* was launched in April 2012. Prepared in collaboration with the Munich Re Foundation and the Microinsurance Network, edited by Craig Churchill and Michal Matul, and benefiting from the experiences of dozens of microinsurance innovators across the globe, it demonstrates the breath-taking pace at which microinsurance continues to evolve and expand.

This second volume brings the perspectives of actuaries and economists, policymakers, development experts and others in the microinsurance community to bear on a wide range of topics: the potential of microinsurance for social protection, microinsurance and climate change, consumer protection, third-party payment mechanisms in health insurance, formalizing the inherent insurance in migration, the psychology of microinsurance, microinsurance that works for women, and many more. The authors examine changes in regulations, providers and schemes, and explore innovations that have emerged in recent years, from new products and delivery channels to consumer education tools.

To access the *Microinsurance compendium* online, or to order the printed publication, go to: www.microinsurancecompendium.org

CONTENTS

ANNEX III. KNOWLEDGE SHARING AND CAPACITY BUILDING, 2012

EVENTS

Webinar on Managing Partnerships in Microinsurance, March

Webinar on Insights from India's Microinsurance Success, May

Training on Pricing for Microinsurance, Accra, Ghana, May

Training on Business Planning for Microinsurance, Lusaka, Zambia, June

Training on Managing Partnerships in Microinsurance, Lusaka, Zambia, June

Training on Microinsurance Business Strategies for African Markets, Cape Town, South Africa with Cenfri and the University of Stellenbosch Business School, July

Peer exchange with Old Mutual and client value PLG (using PACE), East London, South Africa, August

Knowledge Sharing Forum on the Impact of Health Microinsurance, New Delhi, India, September

Webinar on Enhancing Microinsurance Products and Processes in Microfinance Institutions, October

PLG experience sharing on improving client value, Dar es Salaam, Tanzania, November

5th Innovation Forum on Achieving Scale through Innovative and Effective Distribution, Dar es Salaam, Tanzania, November

Workshop on Development of Interactive Training, Dar es Salaam, Tanzania, November

Workshop on Pricing for Microinsurance at the 8th International Microinsurance Conference, Dar es Salaam, Tanzania, November

Webinar on Good Practices in Promoting Microinsurance Products, November

FELLOWSHIPS

FELLOW	BACKGROUND	HOST	MENTOR	FELLOWSHIP OBJECTIVE
Letícia Gonçalves (Brazil)	Insurance experience with Bradesco in Brazil, development experience in Costa Rica and Georgia	Aseguradora Rural, Guatemala	Derek Poulton (USA)	Implement health insurance programme, work with healthcare providers, participate in the Latin American landscape
Sergio Vélez (Colombia)	Lawyer in life and general insurance	Fasecolda, Colombia	Martina Wiedmeier-Pfister (Germany)	Research the regulatory framework in Colombia, collaborate with A2ii
Ayham Esmaiel (Syria)	Insurance experience, CII diploma	Star Microinsurance Services, Ghana	Roland Steinman (Switzerland)	Conduct process mapping, suggest back-office improvement, pilot new processes
William Collins (USA)	Actuarial and insurance experience	Kenya Orient Insurance, Kenya	Charles Mutua (Kenya)	Support product development, design partnerships and pricing tools
David Saunders (USA/UK)	Economist, experience in financial inclusion and microinsurance	Cenfri, South Africa	Jasmin Suministrado (Switzerland)	Design and implement knowledge management and training strategies
Saima Tabassun Zafar (Pakistan)	Insurance experience, HMI experience in Pakistan	PharmAccess, Nigeria	Denis Garand (Canada)	Conduct client value analysis and sales force performance improvement, build insurance curriculum
Josh Ling (Australia)	Actuarial experience, insurance experience (health and pension)	AMUCSS, Mexico	Michael McCord (USA)	Improve technical capacity of staff, product improvement and processes analysis, relationships with insurers
Boudewijn Sterk (The Netherlands)	Development specialist	SAJIDA Foundation, Bangladesh	Agrotosh Mookerjee (UK)	Improve operational processes, train staff, support product and strategy development

ANNEX IV. FACILITY TEAM

Craig Churchill
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Miguel Solana
Microinsurance Officer, Latin America and the Caribbean

Jasmin Suministrado
Knowledge Officer

*Peter Wrede**
Microinsurance Officer, Asia

Mary Yang
Microinsurance Officer, Asia

** Peter Wrede and Sarah Bel left the Facility in August and December respectively.*
*** Alice Merry and Xinxing Li joined the Facility in November.*

Interns made valuable contributions to the Facility in 2012. Special thanks to **Andrew Douglas, Josh Ling, Mariana Pinzón-Caicedo, Irena Radeva** *and* **David Saunders** *for their dedication.*

CONTENTS

FACILITY TEAM

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(From left to right): Sarah Bel, Craig Churchill, Jasmin Suministrado, Aida Lindmeier, Aparna Dalal, Michal Matul, Beatrice Guillemain, Miguel Solana, Caroline Phily, Jeanna Holtz, Alice Merry, Xinxing Li and Pranav Prashad

Bottom inset: Mary Yang

ACRONYMS AND ABBREVIATIONS

A2ii	Access to Insurance Initiative
ADB	Asian Development Bank
AIC	Alternative Insurance Company
AIG	American International Group
AKI	Association of Kenya Insurers
AMUCSS	Asociación Mexicana de Uniones de Crédito del Sector Social
Cenfri	Centre for Financial Regulation and Inclusion
CERMES	Centre de recherche médecine, sciences, santé et société
CIC	Cooperative Insurance Company
CIDR	Centre International de Développement et de Recherche
CIRM	Centre for Insurance and Risk Management
DID	Développement international Desjardins
Fasecolda	La Federación de Aseguradores Colombianos
FFH	Freedom from Hunger
FINO	Financial Inclusion Network & Operations
GIIF	Global Index Insurance Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HMI	health microinsurance
ICARD	International Center for Agricultural and Rural Development
IFC	International Finance Corporation
IFFCO	Indian Farmers Fertilizer Cooperative
ILO	International Labour Office; International Labour Organization
ILRI	International Livestock Research Institute
INISER	Instituto Nicaragüense de Seguros y Reaseguros
IP	inpatient
IRI	International Research Institute for Climate and Society

MAF	Microinsurance Acceleration Facility
MFI	microfinance institution
MFO	MicroFinance Opportunities
MFW	Microfund for Women
MILK	Microinsurance Learning and Knowledge
MNYL	Max New York Life
NGO	non-governmental organization
NHIF	National Hospital Insurance Fund
OP	outpatient
PACE	Product, Access, Cost, Experience
PGI	Prime General Daagtaal Insurance
PICC	People's Insurance Company of China
PLG	practitioner learning group
POS	point-of-sale
PPP	public–private partnership
PWDS	Palmyrah Workers' Development Society
RBAP	Rural Bankers Association of the Philippines
RedSol	Solidaria de Microseguros Rurales
RFID	radio frequency identification
RSBY	Rashtriya Swasthya Bima Yojana
SBI	State Bank of India
SCC	Swedish Cooperative Centre
SEWA	Self Employed Women's Association
SICL	Sanasa Insurance Company Ltd
SSP	Swayam Shikshan Prayog
UAB	Union des Assurances du Burkina Vie
UMSGF	Union des Mutuelles de Santé de Guinée Forestière
UNCDF	United Nations Capital Development Fund
UTM	Union Technique de la Mutualité Malienne
VAS	value-added services
WRMS	Weather Risk Management Services

CONTENTS

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International
Labour
Office

This is the fifth Annual Report of the Microinsurance Innovation Facility.

Housed at the International Labour Organization's Social Finance Programme, the Microinsurance Innovation Facility seeks to increase the availability of quality insurance for the developing world's low income families to help them guard against risk and overcome poverty.

The Facility was launched in 2008 with generous support from the Bill & Melinda Gates Foundation to learn and promote how to extend better insurance to the working poor. Additional funding has gratefully been received from several donors, including the Z Zurich Foundation and AusAID.

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