

PROTECTING THE WORKING POOR



International
Labour
Office

ANNUAL REPORT 2013



MICROINSURANCE INNOVATION FACILITY

MICROINSURANCE
INNOVATION FACILITY

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Social Finance Programme – Enterprises Department

International Labour Office (ILO)
4, route des Morillons
CH-1211 Geneva 22
Switzerland
Tel.: +41 22 799 6786
Fax: +41 22 799 6896
Email: microinsurancemedia@ilo.org
Web: www.ilo.org/microinsurance

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In this annual report, we review the dramatic shift in microinsurance that has taken place over the last 6 years, from the beginning of 2008 to the end of 2013. The ILO's Microinsurance Innovation Facility has both contributed to these changes, and adapted to them. Part 1 provides an overview of the last 6 years. Parts 2 and 3 respond to the two key questions currently facing the industry: how and whether microinsurance can be viable (Part 2), and offer value to clients (Part 3). Achieving viability and client value are not just questions for individual organizations. In Part 4 we explore the need to develop countries' microinsurance markets, and outline our plans for the next 5 years. The annexes list our innovation grants and strategic partners (Annex I), knowledge products (Annex II), and capacity-building activities (Annex III). Annex IV gives details of the Facility's team.

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MILESTONES

Industry milestones

Microinsurance Network formalized

IAIS launched Access to Insurance Initiative

Swiss Re estimated the potential microinsurance market to be 4 billion people

First microinsurance private equity fund, Leapfrog, launched

Lloyd's of London estimated 135 million people covered by microinsurance worldwide

Microinsurance highlighted as a critical emerging issue at the International Actuarial Congress in South Africa

2008

2009

2010

Facility milestones

- Launch of the ILO's Microinsurance Innovation Facility with support from the Bill & Melinda Gates Foundation
- Innovation grants (rounds 1 and 2)
- 1st Innovation Forum

- Research grants (rounds 1 and 2) and Innovation grants (round 3)
- First strategic partnership with CIRM in India
- Fellowship programme launch

- New knowledge management strategy and portal
- New knowledge sharing tools (e.g. Learning Journeys and Emerging Insights)
- Innovation grants (round 4 – focusing on health) and Research grants (round 2)
- PACE client value assessment tool introduced

“ The evidence suggests there is substantial potential for insurance to make a greater contribution to economic growth and social welfare in many lower and middle-income countries. Indeed, industry experts argue that insurance lags behind other financial services in the extent of globalization, providing substantial growth opportunities. ”

Lael Brainard, formerly Bernard L. Schwartz Chair in International Economics at the Brookings Institution and Zurich Financial Services Member International Advisory Council Member, in *What is the role of insurance in economic development?*, Zurich 2008.

“ Offering insurance to the low-income segment of the society is no longer simply a part of corporate social responsibility, but is becoming a focused growth strategy of insurers. With the insurance markets in industrialised countries fast becoming saturated, insurers must identify new markets which can drive future business growth. ”

Swiss Re, Sigma, *Microinsurance – Risk protection for 4 billion people*, 2010



“ We greatly appreciate the valuable work of the ILO, which is leading efforts to encourage microinsurance innovation and disseminate the results. Its support to develop inclusive insurance markets is a natural complement to the IAIS’ engagement with supervisors to create a conducive regulatory environment. ”

Yoshi Kawai, Secretary-General, International Association of Insurance Supervisors, 2013



Industry milestones

Facility milestones

“ 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. Queen 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

“ Microinsurance is a concept whose time has come... Together, these trends are giving rise to what may prove to be the most significant development in insurance and its social acceptance in decades. ”

Accenture, *Succeeding at microinsurance through differentiation, innovation and partnership*, 2012

PART 1. THE LAST 6 YEARS: A DRAMATIC SHIFT

The end of 2013 marked 6 years of the ILO's Microinsurance Innovation Facility. In this time the microinsurance industry has grown dramatically to cover around half a billion people with an increasingly wide range of products. Microinsurance has been increasingly taken up by mainstream insurers, with 33 of the world's 50 largest insurance companies offering microinsurance in 2011, up from just seven in 2005. More and more, governments view microinsurance as an important mechanism to achieve policy objectives.

The Facility has funded innovation and helped practitioners to learn from each other's experiences. It has contributed to many important developments in the industry, including a stronger focus on knowledge management (see Box 3).



A microinsurance client of La Positiva with her policy

- Products have become more varied, now ranging from health to property insurance. At the same time, even the simplest of products are becoming more valuable for low-income households. The Facility has been continuously pushing for more valuable products for clients.
→ *Find out more about product evolution on page 33.*
- Low-income people can now access microinsurance through an increasingly broad range of channels. From supermarkets to schools, the Facility is driving new ways to offer microinsurance in places where low-income households live and work.
→ *See page 9 for more details of how insurers are reaching low-income clients.*
- Technology drives efficiency and enables microinsurance to reach ever-growing numbers of clients. The Facility has funded experiments to enhance both efficiency and client experience, from crucial management information systems to innovations involving mobile phones, biometrics and remote sensing through satellites (see Box 2).
→ *Find out about how technology can be used to completely rethink processes on page 15.*

- Yet microinsurance programmes are most often successful where there is a broader drive to support low-income people to manage risk better. Indeed, from governments to retailers, NGOs to insurance companies, an increasingly wide range of players is collaborating to build markets for microinsurance. The Facility has learnt first hand the importance of nurturing market development to reach large numbers of low-income households in countries such as Zambia (see Box 1) and Ethiopia.
→ *Read about our experiences of market development and plans for the future in Part 4.*

BOX 1 EXPERIENCES OF MARKET DEVELOPMENT IN ZAMBIA

In 2010, the International Labour Organization, United Nations Capital Development Fund and FinMark Trust began supporting microinsurance market development in Zambia by commissioning a diagnostic review (conducted by Cenfri, the Centre for Financial Regulation and Inclusion, on behalf of A2ii, the Access to Insurance Initiative) of the regulations concerning microinsurance, as well as the demand for it. The findings were presented to the Zambian Insurance Supervisor and key stakeholders, including industry representatives, potential distribution channels, consumer advocates and donors. A task force created a microinsurance roadmap based on the challenges and opportunities identified in the report. The roadmap was endorsed by the industry and provided a basis for donor and government coordination.

The task force oversaw interventions to create an enabling environment, build the capacity of insurers, facilitate relationships with distribution channels, and educate consumers. A Microinsurance Acceleration Facility was established to provide grants to insurance companies for product development. A capacity-building plan included innovation seminars and training sessions on managing partnerships and business planning.

These efforts led to the launch of five new life microinsurance products that cover 220,000 people, and are growing quickly. The next steps will be to support the development of more diverse products and to run education campaigns for distribution channels and clients.



An Insurance Week event in Kitwe, Zambia

BOX 2 TECHNOLOGY INNOVATIONS

An impressive array of technology innovations have emerged, many of which have been pioneered by the Facility's partners. These innovations are quietly revolutionizing every stage in the provision of microinsurance.

The **International Livestock Research Institute** uses satellite imagery to provide livestock insurance in Kenya. The satellites allow assessment of a drought without the need to inspect individual herds.

UAB Vie is using mobile phones to record premium collection in Burkina Faso, allowing it to better monitor and manage its portfolio.

IFFCO-TOKIO General Insurance has pioneered the use of radio frequency identification devices (RFIDs) for livestock insurance in India, thereby reducing fraud.

ICICI Lombard uses sophisticated back-office systems to provide paperless claims processing for health microinsurance in India to improve efficiency and reduce fraud.

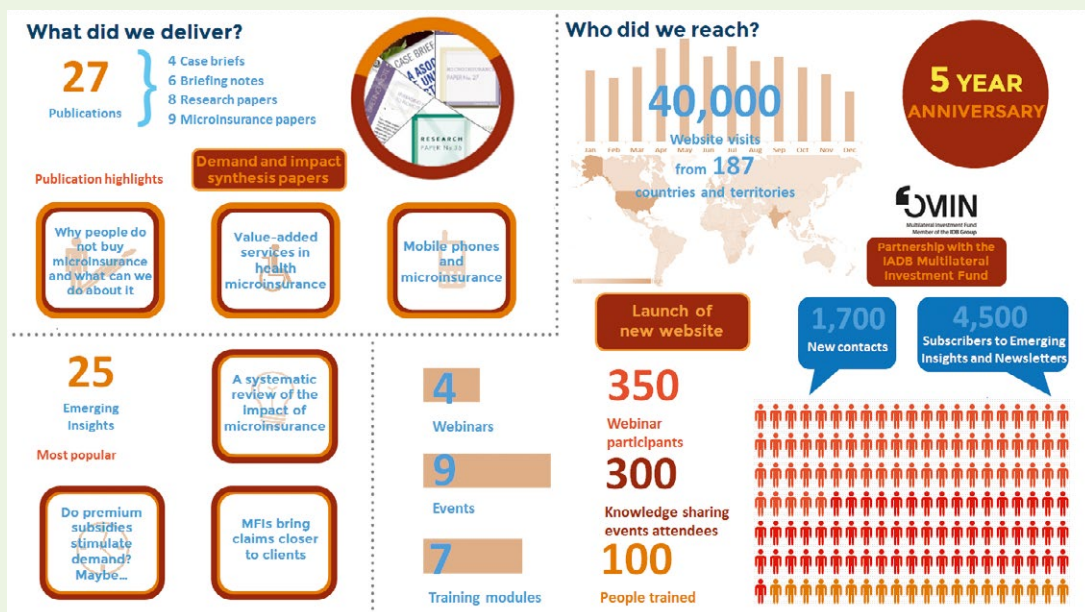
BOX 3 THE CONTRIBUTION OF KNOWLEDGE MANAGEMENT

There is now a wealth of experience about what works and what does not in microinsurance. Yet many organizations repeat the mistakes of others, and many less advanced markets face the same problems already tackled elsewhere.

The Facility has provided financial support and technical assistance to pioneering partners. Together they have designed action research to gather insights on innovations. The Facility learns alongside its grantees, and grantees learn from each other in a global community of practice.

The Facility continually innovates in the way it shares this knowledge. It uses a wide spectrum of techniques, from publications and training sessions to interactive knowledge exchanges, both face to face and online. These have included the seminal *Protecting the poor: A microinsurance compendium*, published with the Munich Re Foundation and the Microinsurance Network; 27 Microinsurance Papers highlighting practice-based insights; six training modules; and 76 Emerging Insights (brief lessons broadly distributed through electronic and social media). It has also introduced the first webinar series in the sector, as well as extensive peer-learning activities. See all the Facility's knowledge activities in 2013 in the following infographic.

MICROINSURANCE KNOWLEDGE - 2013 YEAR IN REVIEW



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In 2013 the Facility was excited to launch its new website, making these resources much easier to search and explore. The site is now organized according to topics and geography. All the latest publications, insights, videos and projects on a single topic or region are therefore now located in one place. This new structure and improved searchability helps visitors get straight to the information they need to support their work.

The Facility is extending its reach through regional partners, who increase its pool of knowledge and enlarge its outreach. For example, the Facility and the Inter-American Development Bank collaborate to evaluate projects funded by both organizations in Latin America and the Caribbean. These findings, alongside selected Facility publications, are then made available to Spanish-speaking audiences in the region.

TWO IMPORTANT QUESTIONS FOR THE INDUSTRY

Throughout the developments of the last 6 years, two fundamental questions face the industry – Is microinsurance viable for providers? And does it provide value to clients? Evidence is emerging on both fronts.

VIABILITY

Insurers are demonstrating that microinsurance can be viable – a topic that is explored in detail in Part 2. In 2013, the Facility commissioned a study to investigate the viability of five insurers first reviewed in a study in 2009. The study found that microinsurance can be viable in certain conditions. In particular, three common attributes emerge in viable schemes: (1) acquiring and keeping large numbers of clients, (2) managing claims costs, and (3) completely rethinking processes in order to reduce costs.

The second and third points lie mainly with the insurer, but the first – large numbers of clients – has largely been achieved by working with an ever-increasing range of partners. In particular, partnerships with governments have proved vital, especially for reaching the poorest. Microinsurance is also important to governments, which recognize its role in helping them achieve their aims, particularly for universal health coverage and disaster risk management.

VALUE

It is clear that the value products offer to clients varies greatly. However, the work of Facility partners (backed by rigorous academic research) shows that microinsurance can provide value, protect low-income people, help them cope with losses, and enhance their long-term well-being. The Facility found, for example, that insured farmers who suffer drought in Kenya expect that they will sell fewer assets and not be forced to reduce their food intake as much as those who are not insured. Furthermore, there is now evidence that insurance benefits even those who never suffer a loss. Insured farmers in Ghana, for example, invest in riskier, but more productive, farming because they know that insurance will support them in case of disaster. See Part 3 for many more concrete examples of the impact of microinsurance.

Delivering on the promise of microinsurance still poses challenges. Many low-income people have never experienced insurance. And among those who have, many products do not offer them sufficient value. Both the positive results and the outstanding challenges are discussed in Part 3.

THE MAGICAL BALANCE

In the short term the imperatives for viability and value may pull organizations in opposing directions and create difficult trade-offs. Yet in the long run there is no trade-off. Viability and value are inextricably linked: a product cannot continue to offer value to clients unless it is sustainable, and a product is unlikely to sell well over time if clients do not see value in it.

Over the last 6 years we have learnt alongside our partners as they have attempted to find a balance between these two elements. And increasingly we are finding and promoting creative ways to further both (see Box 4 on our forum to exchange experiences on this topic). Process improvements, in particular, can increase efficiency while also making it easier for clients to access existing benefits. See Parts 2 and 3 for specific examples of innovations.

A NEW JOURNEY

The microinsurance market in 2013 is different to that in 2008. The challenges it faces have also evolved. There is now an increasing need to work with all stakeholders to ensure that high-quality microinsurance becomes widespread. The Facility is therefore planning a new phase of work for the next 5 years to respond to the main challenges facing the sector. This plan is discussed in Part 4.

© Facility



Street scene in Bangladesh

BOX 4 INNOVATION FORUM



Participants play the new board game, "Pathways to building quality at scale"

The 6th Microinsurance Innovation Forum, held in Jakarta in November 2013, marked the end of the Facility's first phase and looked forward to its next 5 years. The forum focused on how markets can evolve to support high-quality microinsurance at scale. It explored strategies to address client needs, increase efficiency, and form public-private and retail partnerships in an evolving market.

A fun highlight of the forum was a new board game, "[Pathways to building quality at scale](#)", in which participants explored the evolution of microinsurance, encountering challenges and achieving successes along the way. It took time to move forward and gain experience as the situation became more complex. The game highlighted how set-backs can represent lessons and how important the environment (e.g. the regulatory context) is in developing microinsurance markets.

PART 2. ACHIEVING VIABILITY

In order for microinsurance to be a long-term solution, it must be viable. This part of the report summarizes the current evidence on the extent to which viability has been achieved, and outlines three vital elements of viability. Finally it considers the role of governments, particularly how microinsurance can support efforts for universal health coverage, and the role of subsidies in microinsurance. The Facility uses the term “viable” instead of “profitable” as we believe that microinsurance bridges the gap between market-based and social protection interventions and can be used to achieve important public policy objectives, thereby justifying public investments and subsidies (see Box 11 and Box 12).

IS MICROINSURANCE VIABLE?

© Facility



A microfinance institution in the Philippines

Insurance companies have the potential to provide valuable protection to low-income households – they have the expertise and the capacity, but many are sceptical. Can they really serve the working poor as well as the interests of their shareholders? Is microinsurance a legitimate line of business or just a socially responsible endeavour? Can insurance companies do well (for insurers) by doing good (for society)?

Products with life benefits (term life, funeral or credit life) are indeed usually profitable. But what about more complex products (like health or crop insurance), especially when offered on a voluntary basis? Our review of the profitability of six schemes across the globe indicates that compulsory credit life and simple term life cover display relatively high profitability (Angove, forthcoming) (see Box 5). But moving to more comprehensive, often voluntary, products, is more challenging.

The good news is that new developments, such as advances in technology, greater awareness among consumers, and increased government support, are moving the industry in the right direction. Even though there is more to be done, insurers and their partners are innovating and making progress.

ACHIEVING VIABILITY OVER TIME

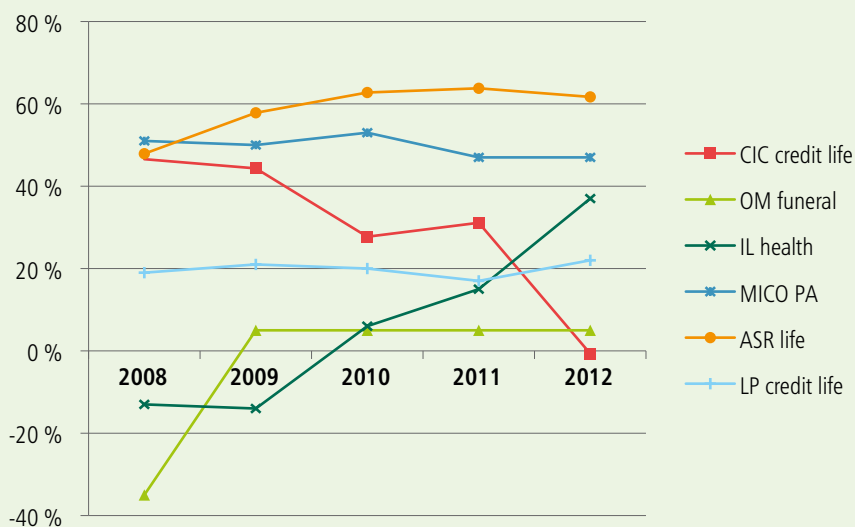
In 2013 the Facility released a framework outlining how viability is achieved, based on a review of six insurers. The review showed that insurers could achieve viability over time in three main ways: (1) acquiring and keeping large numbers of clients, (2) managing claims costs, and (3) completely rethinking processes in order to reduce costs (Angove, forthcoming). Fundamental to these is the need to carefully monitor and evaluate experiences, implement technology solutions to improve process efficiency, and adapt products and processes to market needs. Insurers can learn by first providing simple risk products, and then applying these lessons to the design of more comprehensive and tailored products.

BOX 5 RESULTS FROM A PROFITABILITY ANALYSIS OF SIX INSURERS

Profitability for most of the products reviewed has improved over time as insurers learn from their experience and make adjustments to products and processes. The credit life products of [Cooperative Insurance Company \(CIC\)](#) in Kenya and [La Positiva](#) in Peru show strong profitability at inception. These products are characterized by low claims ratios and low expenses due to the involvement of microfinance institutions (MFIs), but there has been a decline in the profitability of the CIC credit life product, mainly due to deterioration in claims experience, higher expenses and a reduction in policies because of increased competition in the market.

Profitability for the [Old Mutual](#) funeral product in South Africa and the [ICICI Lombard](#) health insurance schemes in India has improved over time due to lower claims ratios. Old Mutual made changes to its pricing and benefits based on product reviews. ICICI Lombard's new paperless claims process allowed it to implement more efficient claims validation procedures and identify instances of claims fraud, thereby reducing claims costs.

GROSS INSURANCE PROFIT 2008-2012



Source: Angove, forthcoming



If you want to stay in business, in the long term you definitely have to listen to your clients. And it's not just a matter of meeting their needs once, but also over time because their needs evolve and so does your product offerings.

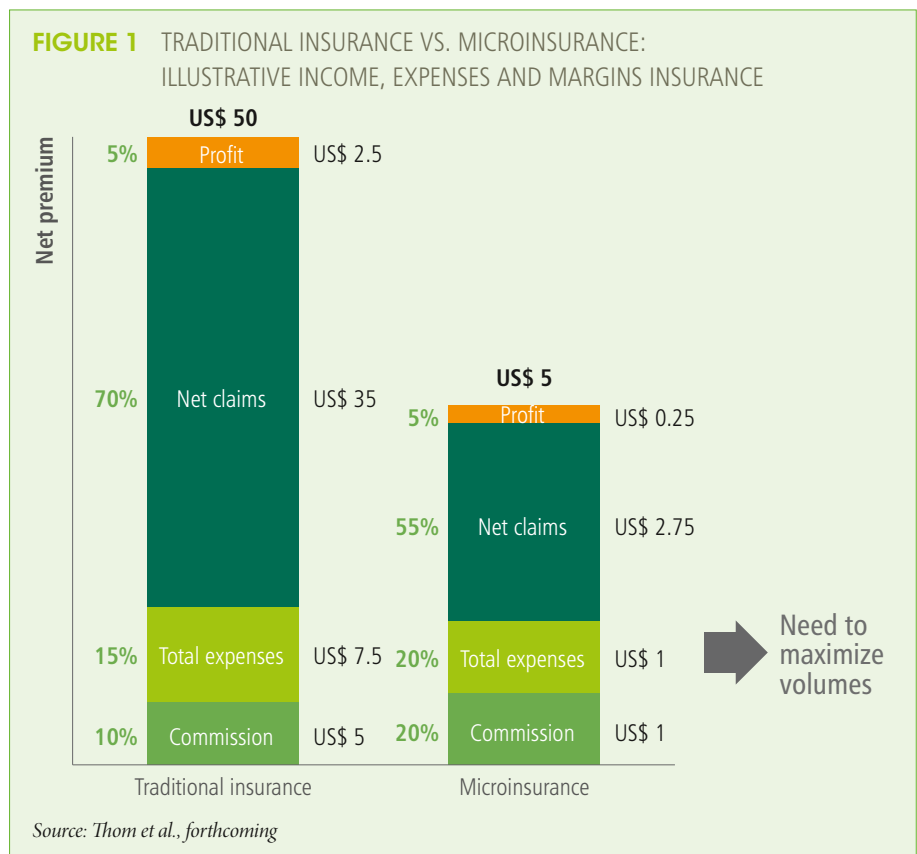
Sandisiwe Ncube,
Project Coordinator/
Stakeholder
Manager, Cenfri

Viability in microinsurance requires a long-term perspective. This is hardly surprising, given that even in commercial insurance new products take around 10 years to achieve profitability (Leach, 2013). In the meantime, microinsurance can offer considerable business benefits to insurers, such as the opportunity to tap new markets, and to apply innovations from microinsurance to other lines of business. Commercial insurers also believe that increased brand awareness and customer loyalty will convert into higher revenues as their clients progress up the income ladder and are able to buy more expensive insurance products.

ACQUIRE AND KEEP CLIENTS

Microinsurers receive a small premium from each client. Therefore, to be viable it is vital to enrol clients in large numbers, and then keep them.

Figure 1 compares margins in microinsurance to those in traditional insurance.





© Facility

A market stall owner in Benin

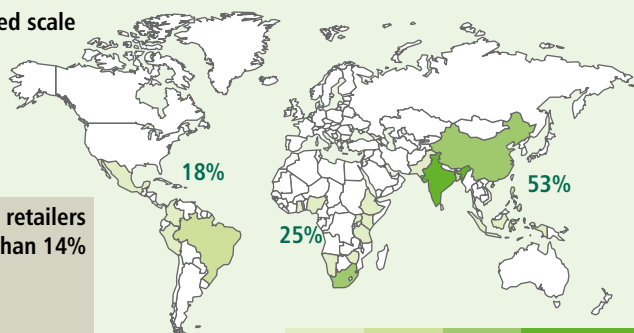
Insurers reach large numbers of clients in many different ways, yet we see that some ways have more often been effective than others. These factors are highlighted by a study, commissioned by the Facility and conducted by its partner [Cenfri](#), which looked at how microinsurance organizations achieve scale (Thom et al., forthcoming). The study identified 95 schemes that have done so (see Figure 2).

FIGURE 2 TRENDS IN SCALE: GEOGRAPHY AND DISTRIBUTION

Microinsurance initiatives that have achieved scale

Client interface for scale

| | | | |
|-----------------|----|--------------|--|
| Post office | 🏠 | 👤👤 | |
| MNO* | 📱 | 👤👤👤 | MNOs* and retailers account for less than 14% |
| Funeral parlour | 👤 | 👤👤👤👤 | |
| Retailer | 🛒 | 👤👤👤👤👤👤 | |
| State | 🏛️ | 👤👤👤👤👤👤👤👤 | |
| Direct sales | 👤 | 👤👤👤👤👤👤👤👤👤👤👤👤 | |
| Groups | 👤👤 | 👤👤👤👤👤👤👤👤👤👤👤👤 | MFIs**, groups and banks account for 52% |
| MFI** | 🏠 | 👤👤👤👤👤👤👤👤👤👤👤👤 | |
| Bank | 🏦 | 👤👤👤👤👤👤👤👤👤👤👤👤 | |



No. of schemes that have achieved scale

- Scale = >1m policies/lives covered in Asia and Latin America
- Scale = >500k policies/lives covered in Africa

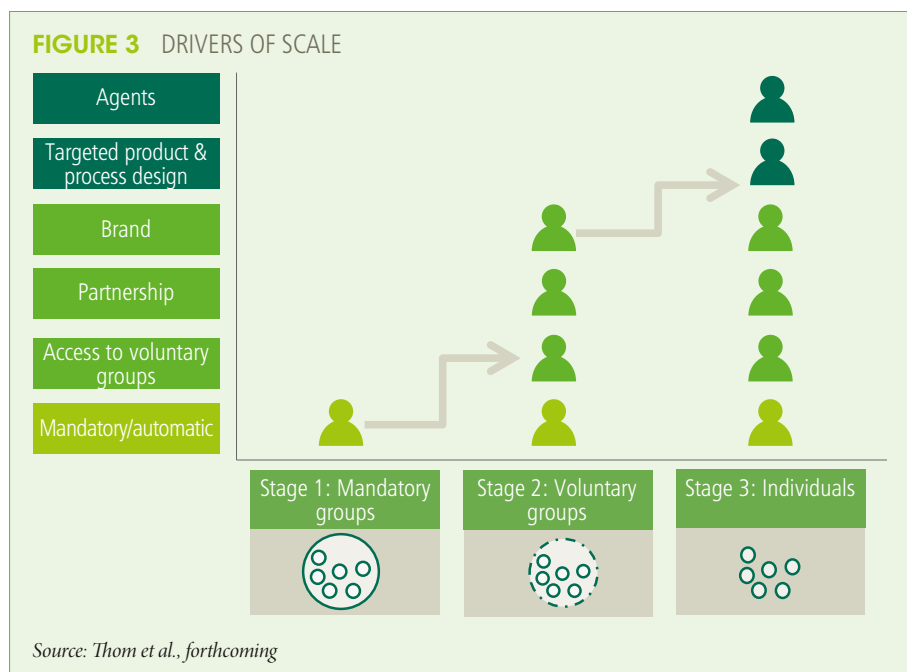
Number of initiatives: 95 schemes

*Mobile network operator
 ** Microfinance institution
 Source: Thom et al., forthcoming

Findings from the study:

- Mandatory products allow insurers to gain clients in large, pre-existing groups, such as members of MFIs or rural cooperatives. Yet 72 per cent of schemes that had reached scale had some voluntary products.
- Insurers that already have access to large groups may be able to sell more products to them. Insurers partner with organizations that aggregate people, so that insurers can market and sell to these groups of potential clients.
- Insurers with known and trusted brands capitalize on them to attract clients and partners.
- Simple, valuable products, along with well-trained and properly incentivized agents, attract clients in larger numbers and encourage them to stay. Life microinsurance dominates. Health and agriculture products are largely subsidized.
- Technology can be used to interact with clients and to improve processes, making an insurer better equipped to handle a large client base.

Another important finding is that one driver of scale is rarely enough. A brilliantly designed product may go unnoticed unless sold by a trusted channel. The best sales plan will not lead to scale if clients are not satisfied and do not renew their policies. In fact, these factors reinforce one another to help build scale, as illustrated in Figure 3.



In the first stage, microinsurers typically partner with one intermediary to provide an automatic or mandatory insurance product to the intermediary's clients. This includes government-mandated automatic enrolment, service provider auto-enrolment as a loyalty benefit, and mandatory insurance to access another product or service.

In Stage 1 a market can become saturated quickly and the insurer needs to move to the second stage to grow. The second stage is characterized by partnerships, which enable the insurer to sell voluntary insurance to pre-existing groups. The focus in this stage is on building a brand and strong relationships with partners. This move is commonly seen among insurers that start with MFIs, such as [Protecta](#) in Peru, as described in Box 6.

BOX 6 MOVING BEYOND MFIS

Protecta's first partnership was with a subsidiary of its parent company, a large MFI called MiBanco. It provided MiBanco's clients with compulsory credit life insurance. Approximately 800,000 of Protecta's 1.9 million clients are still enrolled through this channel.

Protecta has subsequently provided microinsurance to other groups, including universities, municipalities and a pharmacy franchise. Some of these groups (such as universities) automatically cover all their members and others (including pharmacies) offer voluntary insurance to individuals. Protecta's strategy is to continue to target groups and tailor the product to the group, rather than individual clients.



Young man working at a market stall in Lima, Peru

© ILO, R. Lord

The third stage is to target individuals through agents. In Stage 3, growth is possible beyond groups and reliance on partners is reduced. This stage requires the insurer to design products and processes that can attract individual clients. This is the next frontier for scale. Only a few insurers have moved to this stage and their experiences should pave a way for others to follow. [Hollard](#) in South Africa has moved into Stage 3 by targeting individuals directly with its own sales agents. Hollard's direct sales still account for a relatively small proportion of its total client base, but have achieved conversion rates that are 4 to 6 times higher than Hollard's other distribution channels.

Agents can be individuals or retail outlets. One distribution model gaining ground is banking correspondents. In Brazil and India many banks have developed extensive networks of these correspondents, non-bank outlets such as small shops or hairdressers that provide financial services and products on behalf of the bank. Box 7 outlines how [Bradesco Seguros](#), one of the Facility's partners in Brazil, is learning how to use these outlets to sell microinsurance.



Telecoms are not going to become philanthropists overnight, but mobile insurance offers both financial and social benefits in the near, medium and long terms if designed and implemented appropriately. I also strongly believe that business that provides tangible value to clients is the most sustainable, and our telecom partners see that: they want us to pay lots of claims, quickly.

Peter Gross,
Regional Director,
Africa, MicroEnsure

BOX 7 USING BANKING CORRESPONDENTS



A banking correspondent outlet of Bradesco bank in Brazil

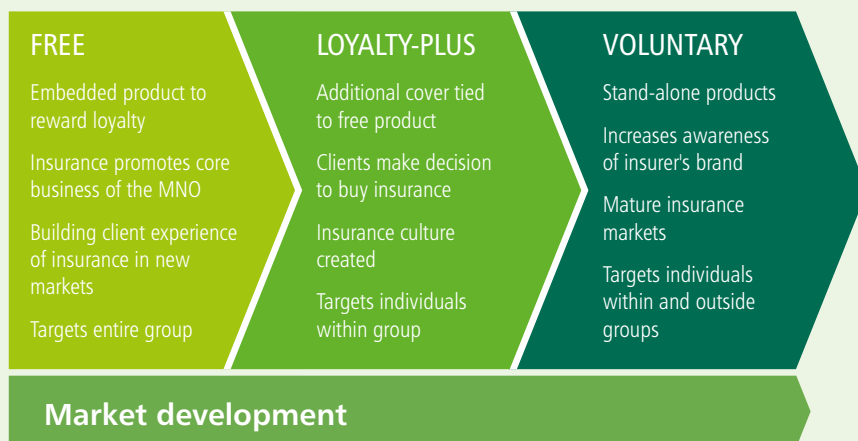
only initial training was not sufficient. As a result, Bradesco Seguros employs individuals (called “multipliers”) who train and support the banking correspondents, as well as helping them deal with problems. They also represent Bradesco in communities, building trust in the product. Starting with 108 correspondents in northern regions, Bradesco Seguros has since expanded to provide insurance through 245 of the 40,000 correspondents who are part of Bradesco Bank’s network.

Bradesco Seguros, the insurance arm of the Bradesco group, provides personal accident, funeral and household insurance to low-income communities in Brazil through banking correspondents maintained by the Bradesco Bank. Bradesco Seguros realized, based on the experience of its bank, that it could boost sales by assigning representatives to provide ongoing support to the banking correspondents. Providing

Another distribution channel with tremendous potential is mobile network operators (MNOs). Through MNOs, insurance can be provided to the vast pool of mobile phone subscribers, the majority of whom do not have insurance. In Africa alone, the 44.4 million lives and properties covered by insurance pale into insignificance in comparison to the more than 600 million mobile phone subscribers. In addition to offering access to a large client base, MNOs offer an established network of distribution points. In many developing countries, MNOs are highly visible and accessible to people of all income levels, with branded shops, corner stores selling prepaid airtime, and umbrella-cart service stops.

From an MNO’s perspective, adding insurance to its product portfolio serves multiple purposes. First, insurance has the potential to provide another revenue stream, received either as commission (in a typical distribution partnership) or through profit-sharing. While this added revenue is attractive, perhaps a greater incentive to offer insurance is its potential to help an MNO differentiate itself from competitors and attract and retain clients. Insurance can also be offered as an incentive to encourage clients to spend more on airtime.

Insurance offered through MNOs can evolve from mandatory, bundled products to voluntary options (see Figure 4). Insurers often begin by offering a free, simple microinsurance product bundled with the mobile service and offered through mobile phones. As customers become familiar with insurance, insurers offer a “freemium” or “loyalty-plus” product, which allows customers to buy extra cover on top of their free product. The third stage is the sale of a stand-alone, voluntary product that can cover various risks and is paid for by the client. Insurers and MNOs can identify the stage of maturity of their insurance market, assess customers’ perceptions and understanding of insurance, and adapt their offerings accordingly.

FIGURE 4 PRODUCT EVOLUTION FOR INSURANCE OFFERED THROUGH MNOS

Source: Prashad et al., 2013

MANAGE CLAIMS COSTS

However many clients an insurer is able to reach, it cannot be viable if claims costs exceed funds available from premiums. For microinsurance, this poses particular challenges, different to those faced by traditional insurance. Efficiency in claims administration is a particular challenge as microinsurers must handle high volumes of small claims (see Box 8). Microinsurers need to control fraud, yet they must balance this carefully against the costs of doing so. For low-income households, a loss event is a particularly delicate and difficult time, and they need a claims process that is fast, simple and clearly understood.

Monitoring claims experience is critical to the control of claims costs as monitoring can help identify mis-pricing. For example, claims monitoring of its funeral product enabled Old Mutual to identify high-risk groups. Old Mutual re-priced the product and increased the premium for these groups. The new premium rating of each group helped reduce claims ratios and enhance viability. Old Mutual also reduced the claims ratio by no longer allowing policyholders to replace the deceased with a new dependant, who was not considered in the calculation of the original premium.

BOX 8 IMPROVING CLAIMS PROCESSES FOR BUSINESS AND FOR CLIENTS*ICICI Lombard clients*

In August, the Facility gathered four insurers from India, South Africa, Kenya and Peru in New York. The event (also broadcast as a webinar) focused on the performance of the insurers, and examined drivers of profitability as well as strategies that provided value for customers.

The experiences of these insurers echoed the challenges that insurers face in moving from simple to higher-value offerings. However, panellists also highlighted many interventions that improved viability while also benefiting clients, such as improving the efficiency of claims processing.

ICICI Lombard initially used paper claims submitted manually to local branch offices. This system was inefficient for the volume of claims and resulted in too much paperwork and lost documents. An automated web-based system was introduced, enabling the insurer to process claims more efficiently and cost-effectively. Automated processes allowed ICICI Lombard to implement efficient claims verification processes and identify claims fraud.

The introduction of these processes reduced claims ratios by 20 per cent. The improved claims processes also reduced the cost per claim from US\$ 1.30 to US\$ 1 and the time to reimburse health-care providers from 65 days to 25 days. The improved efficiency in reimbursing health-care providers has enabled the insurer to negotiate lower preferred rates for health-care services.

Watch the full webinar at <http://www.microinsurancefacility.org/events/webinar/viability-clients-july-2013>

COMPLETELY RETHINK PROCESSES IN ORDER TO REDUCE COSTS

Insurers need to put aside traditional cost structures, and rethink their processes if they are to offer viable microinsurance products. Successful microinsurers have examined each process, and found creative ways to redesign it, often making use of technology. Yet technology cannot reduce costs effectively on its own; it must be coupled with the right processes.

Successful microinsurers in fact see the potential for reverse innovation – applying the efficiencies they have learnt in microinsurance to also reduce costs in traditional insurance.

The Facility has supported partners to implement various technology innovations, including smart cards, mobile phones, satellite images for index insurance, and RFID chips for cattle insurance (see Box 2 in Part 1). It recently organized a knowledge-sharing forum on technology to allow these partners to learn from each other's successes and failures. The main lessons are summarized below:

- The introduction of technology has to be accompanied by a change in processes for benefits to be realized.
- The choice of technology should be made in the light of factors such as its alignment with the objectives of the partners involved, the degree of market maturity and readiness for the technology, and customer understanding.
- Smart cards show promise in improving microinsurance operations. Among the biggest challenges, however, are limited data storage, ensuring client understanding, and limited availability of hardware suppliers.
- Regarding technology for data management, it is important that data, such as those generated using satellites, are accepted and easily understood by customers. Governments play a key role in ensuring the validity of data.
- Transaction-processing technology requires standard codes and processes so that information generated by the different systems of partners can be easily integrated.
- The shift from a manual system to technology-enabled claims management can improve data quality, reduce documentation requirements, hasten claims settlement, and reduce fraud. However, practitioners will need to address a number of issues including connecting to legacy systems, the high cost of software development and training, ensuring clients understand the technology and the accompanying processes, and, in the case of health microinsurance, low computer proficiency at health-care facilities.

Mobile phones, in addition to helping achieve scale, can improve efficiency across the insurance value chain. For example, [Tata AIG General Insurance](#) in India uses mobile phones to register clients in real time for livestock insurance. By replacing its manual, paper-based process with mobile-enabled enrolment, Tata AIG has been able to reduce enrolment time from 15 days to 30 minutes. The agent captures the client and animal details, including photographs of the animal, with the mobile phone and transmits them to the central office for policy issuance.



Technology is an enabler, but can only be successful when you get the human elements right.

Jeremy Leach,
Director at Bankable
Frontier Associates



Microinsurance is a business of both the mind and the heart. It's a business that combines the social mission and commercial aspects in terms of profit making, but one has to strike a balance between the two aspects which also reinforce each other.

Nelson Kuria, CEO, CIC Group

Furthermore, replacing manual, paper-based recording of premium collections with a mobile-phone-enabled solution allowed UAB Vie in Burkina Faso to simplify administrative processes and enhance data quality for its savings-linked life and disability insurance product (see Box 9).

BOX 9 A GOOD CALL: USING MOBILES FOR PREMIUM COLLECTION



A member of UAB staff visits a client at his market stall

office knows the premium amount to expect when the member of field staff comes to deposit the daily collection. A new auditor's post has been created to check the premiums recorded online against those actually brought in by the field staff.

The scheme faces challenges, including connectivity problems. Nonetheless, real-time monitoring enables UAB Vie to keep policy status and savings balance current, and helps to identify errors immediately, instead of allowing them to accumulate as under the previous system. Further, up-to-date information on premiums paid per client makes it possible to calculate the financial reserves needed for the scheme more accurately.

UAB Vie offers a contractual savings scheme, with daily collection of premiums by its staff. Previously, staff recorded premiums manually, at the client's business location, and later gave this information to UAB Vie's central office. These premiums were first recorded in a ledger and then put into the information system, typically one to two months later.

UAB Vie has used mobile phones to improve this process and its data quality. Field staff record premiums in real time through an application on their phone. This information is immediately transferred to the central server, so that the head

MAGICAL BALANCE: BALANCING COMMERCIAL AND SOCIAL OBJECTIVES



Entrepreneur in Ethiopia

Commercial and socially motivated organizations must find a balance between value and viability. Socially motivated organizations are often well equipped to serve their clients' needs, but may emphasize this at the expense of viability. VimoSEWA, a microinsurance intermediary in India, realized that to achieve viability it needed to become more rational and objective, not only in principle, but also in practice. It switched its focus from inputs, intentions and sentiments to outputs, results and facts. This shift is described in more detail in Box 10.

BOX 10 CULTURE MATTERS: MODIFYING CULTURE TO PROMOTE VIABILITY

In 2010, VimoSEWA faced falling membership and premium revenue, partly as a result of losing some distribution partners. In response, it began to implement organizational and operational changes, but it recognized that it needed to address something more fundamental – its culture.

Objectives and goals were defined more clearly for the organization as well as for teams and individuals. The purpose was to build cohesiveness and to direct all thought and actions towards a common set of objectives – higher growth, increased efficiency and lower costs. Instead of looking at each other, everybody should be looking outwards together and in the same direction. A placard showing these goals and stating “Everything I do should be contributing to one or more of these objectives” was placed at every workstation.

These changes in organizational thinking and culture, complemented by changes to products, marketing, operations and performance monitoring, have improved efficiency and produced encouraging results. Premium has grown, and acquisition, staff and servicing costs have fallen. A viability gap still exists, but VimoSEWA is moving in the right direction again.



© Facility

VimoSEWA client in Gujarat, India



© M. Crozet, ILO

A livestock farmer in the state of Tamil Nadu, India

On the other hand, commercial organizations such as Allianz also recognize the need to balance their commercial objectives with social goals. Allianz expanded its operational microinsurance definition in 2012 to include quality criteria (such as whether clients are involved in product development) in order to assess how well a microinsurance product offers value to clients (see Figure 5).

FIGURE 5 ALLIANZ'S CRITERIA FOR MICROINSURANCE PRODUCTS

| | |
|----------|---|
| A | Insurance principles applied |
| B | Developing country or emerging market |
| C | Great majority of insured people or assets from low-income segment |
| D | No government subsidies of more than 50% |
| 1 | Significant contribution to risk management of end customers |
| 2 | End-customer receives other tangible benefits (e.g. discounts, lottery, etc.) |
| 3 | End-customers involved in product development |
| 4 | Voluntary opt-in (+ +), voluntary opt-out (+) or compulsory (-) |
| 5 | Customer education and feedback mechanisms in place |
| 6 | Simple product specifications (e.g. pre-underwritten, few exclusions) |
| 7 | Strong measures to ensure low transaction costs |

Criteria A - D are knock-out criteria. Products must meet these criteria to be considered microinsurance.

Criteria 1 - 7 provide a quality ranking regarding compliance with Allianz microinsurance values, but are no indicator for actual business success. Quality criteria for microinsurance products.

Source: Allianz SE, 2013

THE ROLE OF GOVERNMENTS

Governments often play a pivotal role in the viability of microinsurance. Partnerships involving public and private bodies have emerged as a particularly promising way to offer microinsurance at scale: governments provide premium subsidies and draw on the expertise of insurers and the reach of distribution channels to achieve public policy objectives. In addition, governments can offer subsidies to help microinsurers reach the poorest.

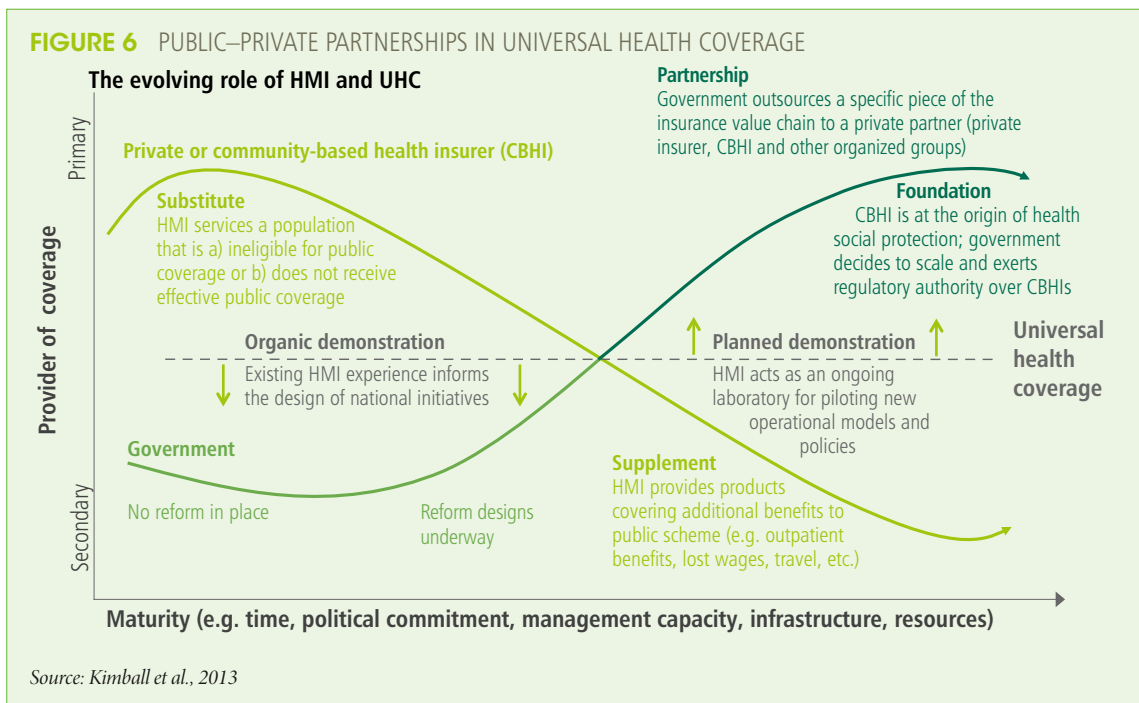
UNIVERSAL HEALTH COVERAGE

A review of countries pursuing universal health coverage (UHC) suggests that greater collaboration between public and private bodies can accelerate the advancement of health coverage for all (Kimball et al., 2013). Four roles were identified in which health microinsurance (HMI) schemes can be used to promote universal health coverage: substitute, foundation, partnership and supplement (see Figure 6). While there is no silver bullet to achieve health coverage for all, countries that have significantly expanded coverage, particularly to individuals in the informal economy, have extended benefits, increased subsidies and enacted compulsory enrolment, while improving health-care infrastructure.



Access to healthcare in underserved communities is about more than providing medicines: it is about the degree of fit between health systems and patients' resources... Health insurance schemes have a key role to play in protecting people from financial shocks and improving quality of care.

Dr. Ann Aerts,
Head, Novartis
Foundation for
Sustainable Development





It is important that insurance companies work together with the government instead of working individually. There are two challenges to make this partnership work. One is information, it's important that there are spaces to share information, insurers and governments. It's important what the international organizations can do to help this. Another challenge is how to get closer, insurance companies with the government. Usually this is not possible for one insurance company to approach government, they will just close doors. Therefore, insurance associations should be more active in working together with the government.

Lourdes del Carpio,
Director of Rural
Insurance, La Positiva

BOX 11 HEALTH MICROINSURANCE AS A FOUNDATION FOR UNIVERSAL HEALTH COVERAGE

Ghana is an example of a country where private sector HMI schemes formed the foundation of a national health insurance scheme. Community-based health insurance schemes proliferated in Ghana, growing from three in 1999 to 259 in 2003. These schemes were primarily motivated by community solidarity principles, which are crucial to fostering a culture of insurance. In 2000, the Government passed reforms establishing a national health insurance scheme with a standard benefits package, available to all citizens, that was administered at the district level. The existing community-based schemes were offered a choice of affiliating with the national scheme and receiving government subsidies and other support, or remaining independent and modifying their benefits package to meet the new regulations. Given the financial incentives, most schemes chose to affiliate with the Government's plan. The others scaled back coverage to provide supplementary products, such as medicines or cash for transportation. This melding of existing community-based health insurer capacity with a national framework increased coverage rates 30-fold over a relatively short period of time, allowing Ghana to reach its present level of 35 per cent.

USE OF SUBSIDIES

When developing subsidies for insurance to support policy objectives, policymakers or donors should be clear about their objectives. Insurance can contribute to a number of public policy goals, including improving access to health care, bolstering food security, reducing urbanization, or coping with climate change (see Box 12).

BOX 12 A NOTE FOR POLICYMAKERS: WHY SUBSIDIZE INSURANCE?



Clients of AMUCSS in Mexico

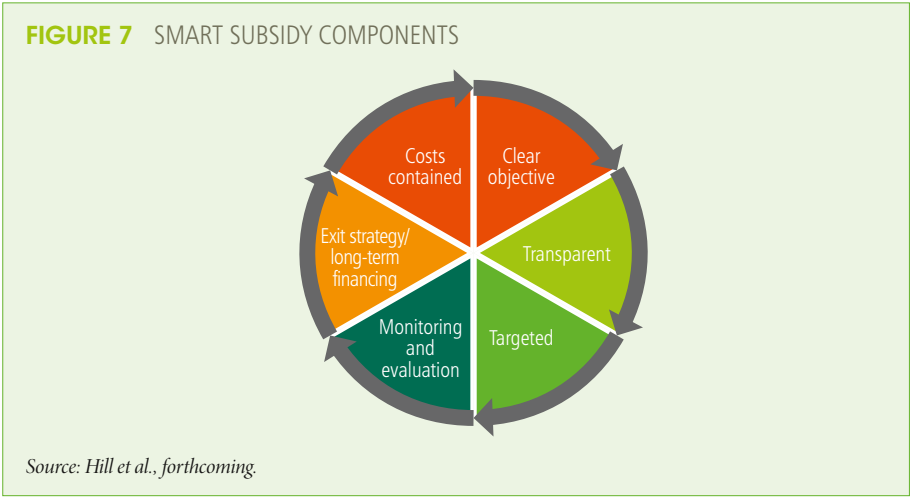
Insurance can be used as a vehicle to extend or complement social protection systems, particularly for workers in the informal economy. Policymakers can draw on the expertise and capacity of the insurance industry to implement microinsurance schemes that link closely to existing social protection systems. At the same time, it is possible to bundle insurance with other financial services, like credit, savings and remittances, in order to improve financial inclusion.

Health microinsurance can be used as a tool to provide access to health care and improve the health outcomes of previously excluded segments of society.

Agriculture insurance, on the other hand, can be used to stabilize agricultural production, promote food security, and reduce the effects of catastrophic climate change events. Governments can also employ agriculture insurance to stimulate agricultural productivity. In this sense, it does not only prevent disadvantaged groups from falling into poverty after adverse natural events, but it may also unleash productive potential through greater investment in higher risk and higher return activities.

Subsidies can be used to improve equity of coverage by extending access to insurance to previously excluded groups, such as low-income individuals. They can also be used to correct market failures that hinder the development of the insurance sector, such as the high cost of infrastructure development or low awareness of insurance among clients. Insurance subsidies that are designed properly align the behaviour of clients and providers so that public resources are spent rationally and with maximum efficiency.

Smart subsidies provide maximum social benefits while minimizing distortions and mis-targeting (Morduch, 2005). A smart subsidy (see Figure 7) needs to be developed for a clearly stated, transparent and well-documented reason, and with efficiency and cost-containment measures in place. It should be targeted at a defined market segment. A smart subsidy should be designed with a clear exit strategy or a long-term financing strategy. Additionally, a good monitoring and evaluation system that tracks the performance of subsidies is paramount for the success of any subsidized insurance scheme.

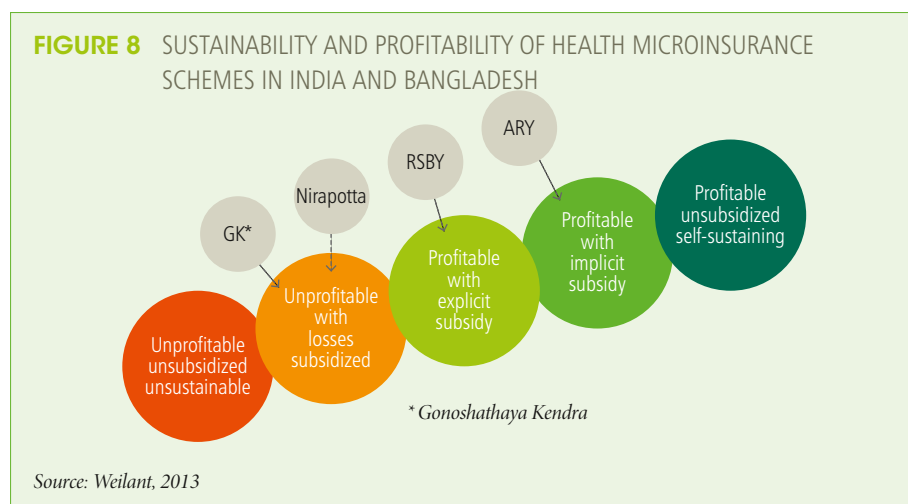


© Natalia Caerres, AMUCSS



A microinsurance client in Mexico

A business analysis of health microinsurance schemes in India conducted by the Microinsurance Learning and Knowledge (MILK) project finds that, with or without public subsidy, Indian health microinsurers struggle to find a sustainable business model. For private schemes, it is expenses, rather than claims, that are driving costs (Koven et al., 2013). A different review of health schemes in India and Bangladesh (commissioned by the Facility) found more positive results (Weilant, 2013). The review explores how implicit or explicit subsidies from the Government or private organizations can support a range of health microinsurance products, from hospital cash to comprehensive inpatient and outpatient cover (see Figure 8). Schemes reviewed in the study received explicit subsidies from the Government (premium subsidies in the RSBY scheme) or implicit subsidies from within the organization (SAJIDA Foundation’s microcredit operations subsidize its insurance programme (Nirapotta) or from a distribution partner (HDFC-Ergo’s distribution partner provides marketing and sales functions for free for its ARY scheme). Two of the schemes were able to use the subsidies to reach viability.



© Facility



A SAJIDA Foundation client receives outpatient health care

PART 3. WHAT WE KNOW ABOUT CLIENT VALUE

Emerging evidence on the impact of microinsurance shows that it can, and often does, provide value for low-income people. Microinsurance protects clients from financial losses, reduces their vulnerability, and improves their health.

But high-value products are not achieved instantly. In new microinsurance markets, it is important to start with basic products, which offer straightforward and limited benefits to clients. As the market develops and clients and providers become more familiar with microinsurance, more complex products, such as health and agriculture microinsurance, become possible. These in turn have a much higher impact on the lives and livelihoods of low-income people. This part of the report goes on to outline some of the strategies used by successful microinsurers to increase value over time.

IS THERE VALUE FROM MICROINSURANCE?

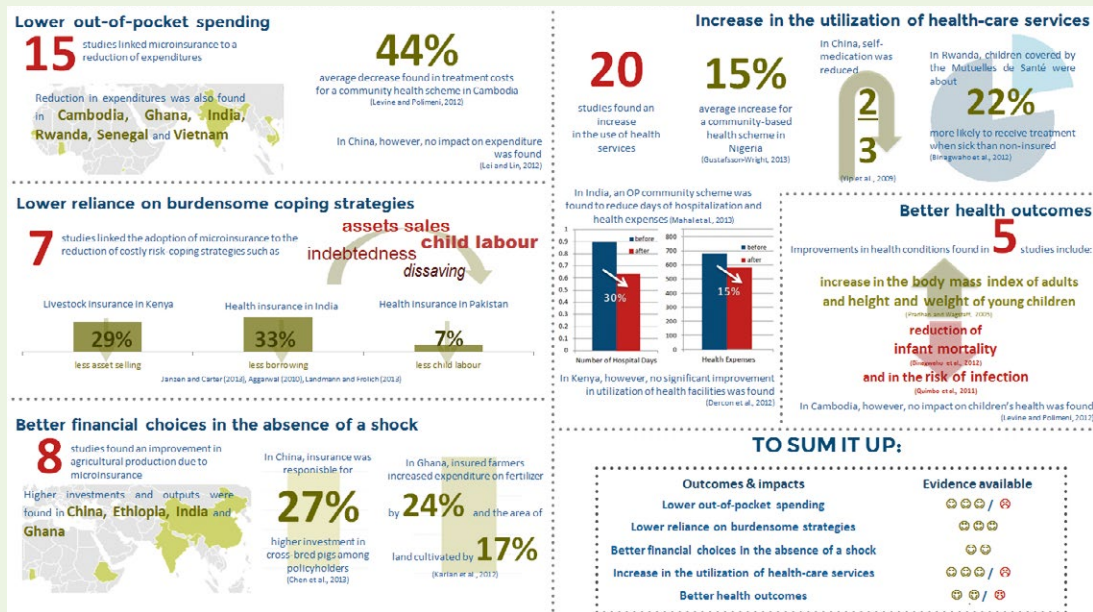
The current evidence on client value is summarized in two pieces of work conducted in 2013 – a review of the academic literature on the impact of microinsurance conducted by the European Research Development Network (EUDN) (see results in Figure 9), and a joint review of client value with the MILK project (to be published in 2014).

Microinsurance protects clients from financial losses. Clients bear fewer expenses when they experience a shock. In the case of health insurance, a number of studies demonstrate that cashless schemes, which do not require clients to pay on receiving the service, reduce out-of-pocket health expenditure.

In the wake of a shock, microinsurance also leads to less reliance on strategies that are damaging in the long term, and encourages the use of more effective, efficient financing. A study on the impact of index insurance found that insured households were 50 per cent less likely to expect to draw down assets after a drought occurred. The study also found that insured households were less likely to anticipate reducing food intake than their uninsured counterparts (Janzen and Carter, 2012). The study also shows that insured households are less likely to sell livestock as an emergency coping strategy. Studies have even found that microinsurance reduces child labour. Landmann and Frölich (2013) found that extending accident and health insurance to all members of the household resulted in a lower incidence of child labour. Chakrabarty (2012) found a similar result in Bangladesh for households in moderate poverty.

FIGURE 9 THE IMPACT OF MICROINSURANCE

A review of 38 studies on the impact of microinsurance provides the following insights



Source: De Bock and Ugarte Ontiveros, 2013.

In the absence of effective risk management tools, low-income households “pay” to manage risks through conservative investment choices. A growing number of studies confirm that agricultural microinsurance indeed allows farmers to invest more in farming. For example, Chen et al. (2013) found that delaying the timing of the premium payment until end of the insured period led not only to greater demand, but also to greater investment among pig farmers in China.

Use of less burdensome coping mechanisms and more productive investments upfront, should lead to reduced vulnerability in the medium and long term, allowing households to deal better with risks (see Box 17 on the experience of Haitian MFI Fonkoze).

A large number of studies investigate the impact of health microinsurance. The evidence shows that health insurance improves access to health care, with policyholders using health-care facilities more frequently and earlier. Empirical data from several schemes in India suggest that providing access to free or discounted outpatient services leads to lower use of inpatient services and therefore lower treatment costs. The abstract of the results from a scheme run by the [CARE Foundation](#) in India, was recently published in *The Lancet*, a leading medical journal (Mahal et al., 2013) (see Box 13).

BOX 13 VALUE OF OUTPATIENT HEALTH INSURANCE – CARE FOUNDATION

A mother and child insured by CARE Foundation

In 2009, the CARE Foundation deployed community health workers (CHWs) in 50 villages to offer primary and preventive care consultations and sell health insurance for outpatient care. Insured households could visit the CHWs for up to ten visits per family per year for free, while uninsured households had to pay a small fee of 12 Indian rupees (US\$ 0.24) per visit. After screening patients, the CHWs used mobile phones to consult a doctor located in a remote hub to prescribe an appropriate course of action, or if necessary to refer the patient to a doctor.

The study found that insured households made substantially more visits to the CHWs and were more often referred to doctors and hospitals. However, they spent fewer days in hospital beds and incurred lower out-of-pocket expenses for hospitalization. Essentially, the insurance encouraged more frequent visits to the CHWs, leading to earlier diagnosis and treatment of illnesses. With more timely referrals to hospitals, patients could get treated at an earlier stage and hence at a lower cost.

These findings are a powerful example of an insurance benefit that can simultaneously enhance client value and improve viability. Providing affordable access to outpatient services can lower claims costs for inpatient health microinsurance schemes by promoting earlier, less intensive treatment-seeking behaviour.

HOW TO IMPROVE VALUE?

While the evidence above is encouraging, it is clear that products provide value in varying degrees and in different ways, and sometimes not at all. For practitioners, the most important question is, what product and process features provide greatest value? The Facility's new peer coaching programme has provided an opportunity for us and our partners to investigate the key principles that practitioners should apply in order to improve value. These are outlined in Box 14.

BOX 14 PEER COACHING BETWEEN SOUTH AFRICA AND PERU

Old Mutual in South Africa and the Peruvian insurer La Positiva participated in the pilot of the Facility's peer coaching programme. Both organizations were able to plan concrete steps as a result of the coaching experience.

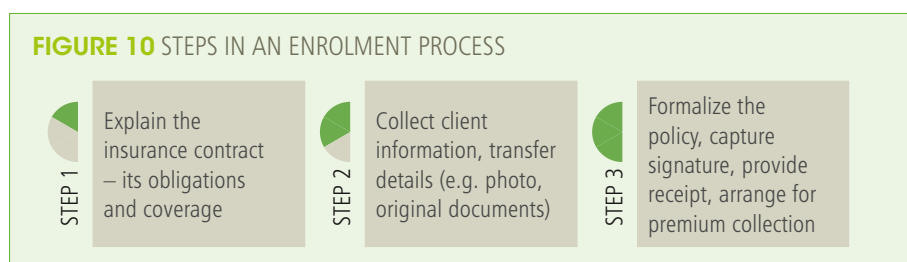
- Both organizations gathered useful insights about how they could relate to the various segments of their target audience. La Positiva observed that Old Mutual segmented its clients by factors beyond income levels, such as lifestyle, and tailored its products and marketing to appeal to personality traits. It plans to adopt this approach.
- Old Mutual learnt a great deal from the challenges La Positiva had already faced in rural areas. The lack of take-up of some of La Positiva's products in rural areas was an indication that the market was not ready. This was costly, and overly complex products may have confused clients. As a result, Old Mutual learnt from its peer's experience that it is important not to rush to extend products or benefits, but rather to keep in step with the customers' understanding and capacity for financial services and insurance.
- Both organizations felt that they needed to build lasting client loyalty to the insurance company and not just to the distribution partner. Both felt that they could enhance this relationship by providing tangible value-added services.
- Old Mutual learnt from La Positiva's consumer education work with government institutions. It now plans to take advantage of and support existing initiatives to maximize its impact, rather than only relying on internal resources.
- La Positiva will increase its face-to-face contact with both sales agents and clients, and will make more extensive use of client testimonials, both internally and to promote its products.
- La Positiva was inspired by Old Mutual's use of mobile phone technology, and is planning to experiment with SMS messages and e-money in its own business.

VALUE IS MULTI-DIMENSIONAL

A simple definition of client value states that value is the difference between what the customer gets from a product, and what he or she has to give (Businessdictionary.com). When relating this to microinsurance, we could think of value as the difference between quantified benefits and premium. When trying to improve value, we need to find ways to increase benefits and reduce costs for customers. However, as microinsurers continue to analyse the client value proposition of their products, they have realized that value is multi-dimensional and goes beyond benefits and costs. Equally important is the need to provide easy access to insurance and to improve people's experience of the enrolment and claims processes.

Ease, convenience and trust are the hallmarks of good enrolment processes (see Figure 10). Providers need to improve processes to address these common barriers faced by clients:

- too many documents or overly specific documentation required
- unclear, lengthy and time-consuming application forms
- insufficient information about how to complete enrolment
- no opportunity to ask questions or for help
- lack of funds to pay premium due during a fixed enrolment period
- hard-to-reach or unfamiliar distributors.



Practitioners need to think about client-facing processes holistically rather than only in terms of cost-efficiency. These moments offer an important opportunity to interact with clients and improve their experience with the product. Practitioners need to understand where clients are most comfortable enrolling, when they would be most open to a sales proposition, how and where they would prefer to pay premiums, and the kinds of communication they would trust to inform them about the value proposition (Cimon et al., 2013).

Customer loyalty is a key performance indicator for any business, and products that offer value to customers increase customer satisfaction and loyalty. For microinsurers this is usually measured through renewal rates. However, even satisfied clients do not always renew, because of behavioural constraints. The renewal process needs to be easy, convenient and flexible, and providers need to support clients in real time, whether physically or virtually. To improve renewals, providers can:

- send reminders, often facilitated by technology, such as SMS messages
- provide easy interfaces and convenient locations, like re-enrolment via phone or at a client's place of work; re-enrolment that does not require the client to travel long distances or leave his or her place of work enables clients to avoid the costs and lost earnings related to taking time off
- provide incentives for renewals, both for clients and sales staff; providers have sought ways to incentivize clients and sales representatives by introducing rewards, gifts, cash discounts or increased benefits.

Claims payment is the moment of truth in insurance, as this is when an insurance policy delivers on its promise. A review of claims management reveals that claims settlement time is a key element of claims management (Rendek et al., forthcoming). The length of time it takes to complete the entire claims process has a significant effect on client satisfaction. Providers need to recognize that from the client's perspective, this time begins at the moment the client experiences the loss (see Box 15).

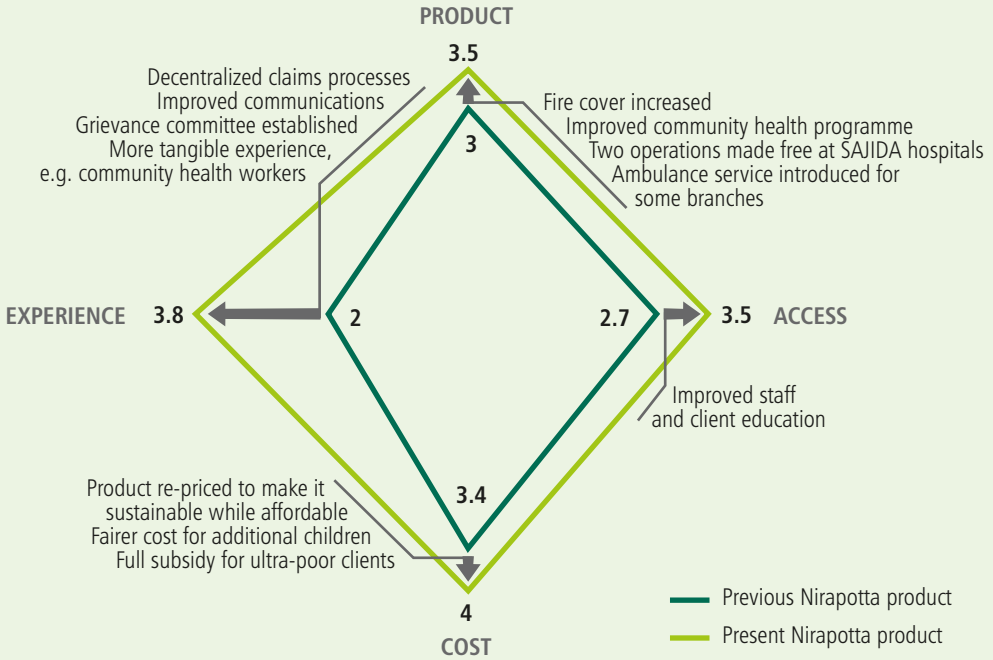
BOX 15 MEASURING CLAIMS TURNAROUND TIME FROM THE CLIENT'S PERSPECTIVE:
OLD MUTUAL

Old Mutual's internal standard for claims turnaround time is 48 hours from the time the complete claims documentation is sent to head office by the local agent, and it meets this standard 98 per cent of the time. However, this standard does not reflect a client's view of claims settlement time, which comprises the period from the date of death to the receipt of benefits from the insurer. Although the time it takes for the client to submit the claim may be beyond the full control of the insurer, it does reflect how well clients understand the product benefits and how to make a claim. In recognition of this, Old Mutual has now started recording additional claims data, such as date of death, date of initial notification of the death to the local agent, date of claims submission to the local agent and date of payment to the burial society. Based on these data, the average time from date of death to claim payment is 20 days, which includes an average of 15 days from date of death until the local agent is notified, and five days of total processing time at local and head offices.

The most commonly reported reason for delays in claim processing is lack of up-to-date enrolment data. Claims may be incurred and submitted before new client data have been added to the administration system or before the first premiums have been paid. Ensuring accurate enrolment data was identified as the most important element in improving turnaround time.

[SAJIDA Foundation](#) in Bangladesh used the [PACE tool](#) to identify potential areas of improvement for clients across the four dimensions of Product, Access, Cost and Experience. For example, SAJIDA made the largest improvements in the Experience dimension by decentralizing claims, improving communication with clients, and adding community health workers to provide better access to health care (see Figure 11). In 2013, as part of the Practitioner Learning Group, the Facility organized a peer exchange visit at SAJIDA (see Box 16).

FIGURE 11 SAJIDA FOUNDATION'S PACE TOOL EVALUATION OF THEIR NIRAPOTTA PRODUCT



BOX 16 CELEBRATING THE PRACTITIONER LEARNING GROUP

In early 2012, the ILO's Microinsurance Innovation Facility launched the Practitioner Learning Group on Improving Client Value in Microinsurance. The group was a community of practice which allowed microinsurance leaders to share lessons learned, troubleshoot challenges, and pursue innovative strategies to offer and measure value for clients. The organisations interacted regularly both online and in person over two years.

The Practitioner Learning Group was formed out of a need expressed by practitioners after attending a training session on assessing and improving client value. The group grew over the two years it was in existence to become an important and highly valued platform for its members.

2012

- Practitioner Learning Group launched with nine organizations from around the world
- Online forum launched
- Peer exchange visit hosted by Old Mutual in South Africa
“The interaction with the other group members proved most beneficial to me. They were excellent resources to bounce ideas off of and to gain new perspectives. This event makes the concept of PACE 100 per cent tangible and has greatly aided Fonkoze's ability to continue moving forward with its PACE analysis. Although the product and situation are different, the techniques/methods learned from facilitators and peers are extremely useful.”— Tyler Tappendorf, formerly with Fonkoze
- Webinars focusing on the work of SAJIDA Foundation, CIC and La Positiva
- Knowledge sharing forum held in Tanzania

2013

- Webinar on Institutionalizing Client Value and another focusing on the work of Aseguradora Rural
- Competition on “Institutionalizing client value” won by Naya Jeevan
“The culture at Naya Jeevan has evolved to become more beneficiary-focused, with beneficiary testimonials, vignettes and ‘success stories’ improving employee morale. Some employees have gone well beyond their job descriptions to facilitate beneficiary claims.”— From the Naya Jeevan competition entry
- Peer exchange visit hosted by SAJIDA Foundation in Bangladesh
“The sessions were well thought out with the utilization of every single hour of the day. The interaction with the focus group was the key to the programme.”— Nimisha Disouza, ICICI Lombard
- Peer coaching programme between Old Mutual and La Positiva
“It has been such a great and insightful experience that has allowed us to get fresh ideas from colleagues from another country but who work in the same business and face the same problems we have because our market and target population are very similar.”— La Positiva
- Knowledge sharing forum held in Indonesia
- Practitioner Learning Group closed with 15 organizations. All members had improved their products or processes as a result of PACE assessments conducted over the two years.

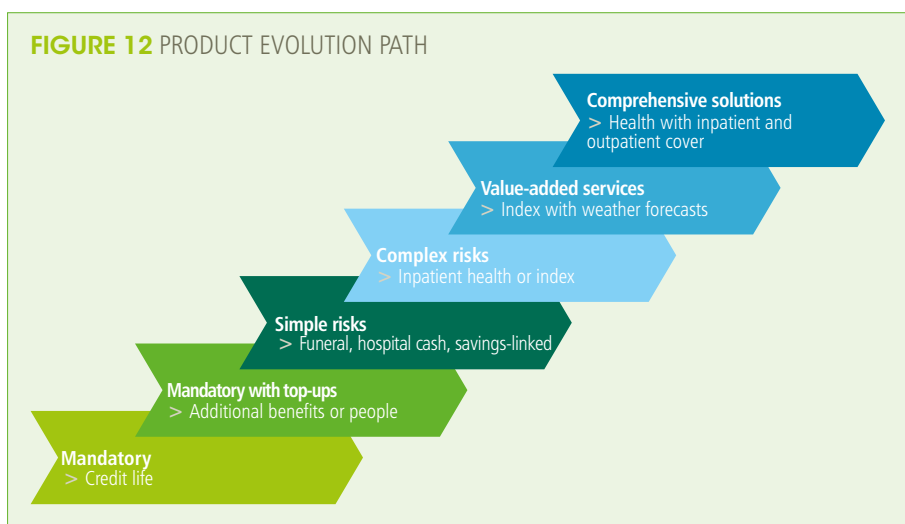


Participants and a focus group at the peer exchange visit in Bangladesh

TIMING AND SEQUENCING MATTER

When should practitioners improve value? Opportunities for client value creation vary depending on the conditions of the microinsurance market in a country. It is important that practitioners factor in the extent of market development when deciding what products to offer. Practitioners can provide value even when offering simple products, especially in the earlier stages of market development. It is possible to increase value in a viable way as markets develop. We find more valuable and more complex products in more mature markets with a stronger insurance culture, greater capability of insurers, and better developed infrastructure, regulation and policy.

Improving enrolment and claims processes is critical at the initial stages of market development. This builds trust and knowledge of insurance among low-income households. Figure 12 outlines a possible product evolution path.



Even partial cover can provide people with better value than alternatives to insurance. Kore W, the catastrophe property insurance offered by [Fonkoze](#), an MFI in Haiti, offered loan forgiveness and a cash payout of up to US\$ 125 in the event of a disaster. While this coverage was insufficient to cover all the losses clients faced, analysis showed that the product performed better than informal risk management mechanisms across all dimensions of client value (see Box 17).

BOX 17 CLIENT VALUE ANALYSIS: FONKOZE

The MILK Project and the Facility partnered with Fonkoze to assess how and whether Fonkoze's property insurance product added value in the lives of clients, compared to informal risk management mechanisms. The results of analyses made using two client value assessment tools, [Client Math](#) and PACE, show that after suffering losses, both the insured and uninsured relied relatively heavily on savings, asset sales, income and informal loans to finance the shock. While selling assets was a common financing strategy, the uninsured sold substantially more assets than the insured, depleting their savings to stay afloat. As a result, the consequences on their long-term financial well-being were more severe. The insured, by contrast, were more likely to reduce consumption in the short term while waiting for the insurance benefit than to sell assets, which resulted in an improved long-term financial outlook.



A client of Fonkoze

Creating value is critical because it provides a competitive edge and builds customer loyalty, facilitating growth in market share. Moreover, when providers are attuned to client needs and know how to translate them into new product offerings they can more easily tap new market segments. (Fin Inclusion 2020).

Introducing complex products before the market is ready has led to disappointing results. Old Mutual had poor sales when it first introduced a retail funeral product called “Pay When You Can”, distributed through ShopRite, one of the biggest food retailers in South Africa. Pay When You Can was originally designed to be flexible, with clients having the option to top up coverage as and when their finances permitted. The product was not successful mainly because it was too complex and clients had difficulty understanding the waiting periods associated with benefit top-ups. Old Mutual conducted a client value analysis using the ILO's PACE assessment tool, and used the results to simplify the product.

THE MAGICAL BALANCE: CLIENT VALUE IS GOOD BUSINESS

There is a growing call from financial inclusion players to design products with the client's perspective in mind. What does this mean in practice? How can institutions move from a supply-side to a demand-side mindset?

The first step should be factoring the client's perspective into product and process design by using client-centred methodologies. These include interviews conducted in customers' homes or places of work, observation of users' daily routines, understanding the context in which products will be used, and detailed one-on-one interviews to thoroughly understand how clients behave and their underlying needs. Low-income households live complex financial lives. Depending on the context or specific group, people's current risk management strategies have gaps, some of which can be filled by insurance.

Demand for microinsurance is a complex issue. Many factors influence a household's decision to buy microinsurance, including personal characteristics like age, understanding of insurance, trust and the ability to pay. Understanding people's needs and behaviour is key to identifying opportunities to add value to their lives with insurance and improving demand (see Box 18 for interesting demand challenges and solutions being implemented by four of the Facility's partners).

BOX 18 DEMAND: A COMPLEX CHALLENGE

Jordan-based MFI Microfund for Women (MFW) covered its borrowers, who number over 100,000, with a mandatory hospital cash product. It then allowed borrowers to voluntarily purchase cover for their family members, but only 10 per cent of eligible clients chose to do so. Demand, especially among larger families, may have been inhibited by per-person pricing. In response, MFW and its insurer introduced a maximum premium per family per month, so that after four family members are insured, all further family members can be included for free.

Aseguradora Rural sold insurance through a large and highly trusted bank in Guatemala. High trust resulted in high demand for the product, with 8,000 policies sold in just 2 months. However, high demand for the product did not translate into high use of its benefits. It seems that clients did not fully understand the product. Thus Aseguradora Rural is now working to improve client understanding through increased promotion, welcome calls, and product information provided by doctors.

The Haitian MFI, Fonkoze, found that mandatory catastrophe microinsurance linked to a credit product could increase client loyalty. In the first year that it provided insurance, the MFI's drop-out rate was the lowest in its history, at 10 per cent, compared to previous rates of between 20 and 25 per cent. Furthermore, insurance payouts had a significant effect: in branches where no clients received insurance payouts, the drop-out rate was 14.1 per cent, whereas in branches where a portion of the clients received payouts, the drop-out rate was only 8.7 per cent.



A mobile money outlet and small shops in Kenya

only first sales but also the retention of clients over the long term. It is also carrying out welcome calls to check clients' understanding.

CIC sells a savings and life insurance product through mobile money outlets or other small local shops. This presents enormous potential to reach the mass market quickly, but also limitations. CIC discovered that agents mis-sold approximately a quarter of the policies. This was damaging for clients who might not understand the conditions and could thereby lose their initial contributions. It also presents a significant risk to CIC's brand. CIC therefore improved its training of agents and their commission structure, to reward not

A number of the Facility partners put themselves in their clients' shoes with the help of PACE. In 2013, the Facility organized a competition to instill a client value culture among members of the Practitioner Learning Group. The winner of the contest was the organization that demonstrated the most success in institutionalizing the client perspective (see Box 19).

BOX 19 BECOMING A CLIENT-CENTRED ORGANIZATION – THE STORY OF NAYA JEEVAN

Participating in the Facility's Practitioner Learning Group helped [Naya Jeevan](#) recognize a need to make its staff better informed about the lives of low-income clients, so that staff could represent these clients' needs more effectively. Naya Jeevan began publishing monthly newsletters and holding monthly meetings to highlight case studies of successful claim experiences. It organized weekly meetings between sales and medical teams to ensure internal alignment, since sales teams usually interacted with corporate clients, whereas the medical team interacted with low-income beneficiaries. In addition, a client value champion was selected within each business unit to ensure that beneficiaries' needs were always taken into account and that client-centred innovations continued.

These changes did require significant financial investment, but have proved an important basis for improving value for its final beneficiaries.



Clients at Naya Jeevan's primary healthcare clinic in Karachi, Pakistan

© Facility

In the short run, the experiences of Facility partners highlighted here show that it is possible to make low-cost improvements that benefit both the client and the organization. In the long run, good client value is good business. A loyal client base that sees value in insurance is vital for commercial success.



Private sector engagement for responsible market development must ultimately involve regulators and financial services providers as well as other stakeholders at the national level. Together, they need to identify barriers to business viability in their market and put the right infrastructure and regulatory frameworks in place.

Tilman Ehrbeck,
CEO, CGAP

PART 4. THE NEXT 5 YEARS

MARKET DEVELOPMENT – THE NEED

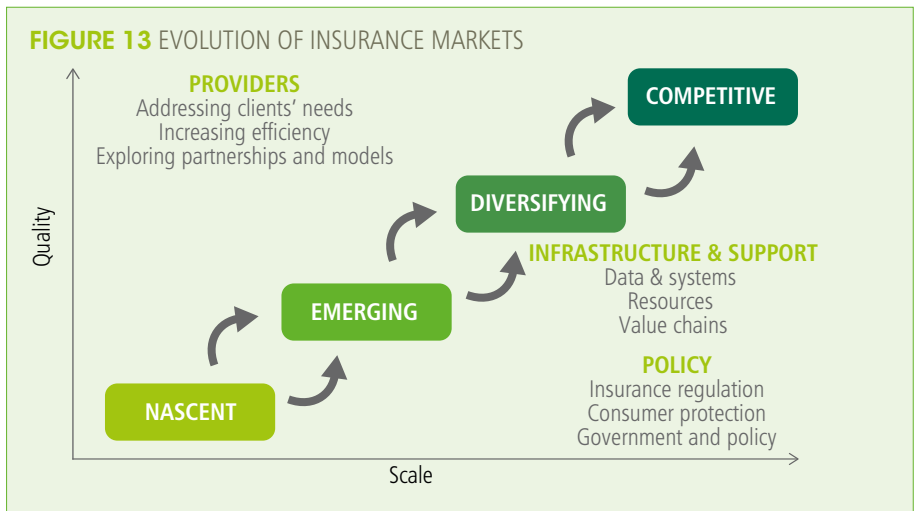
There are many ways to progress from simple to comprehensive insurance. The art is to design the right offerings at the right time. Organizations must carefully analyse the state of their market, their own capacity, and the awareness and maturity of clients. Otherwise, unsuitable products can prove to be expensive failures that cause clients to lose trust in insurance.



A discussion between representatives of insurance associations from Brazil, Mexico, Colombia and Peru

The Facility has identified four stages of market evolution: nascent, emerging, diversifying and competitive (see Figure 13). Each stage engages an ecosystem of stakeholders at three levels: micro (providers), meso (infrastructure and support), and macro (policy). Market evolution can only be achieved through a coordinated market development approach which

engages this full range of stakeholders. Together they can create an enabling environment and build the capacities of providers and clients.

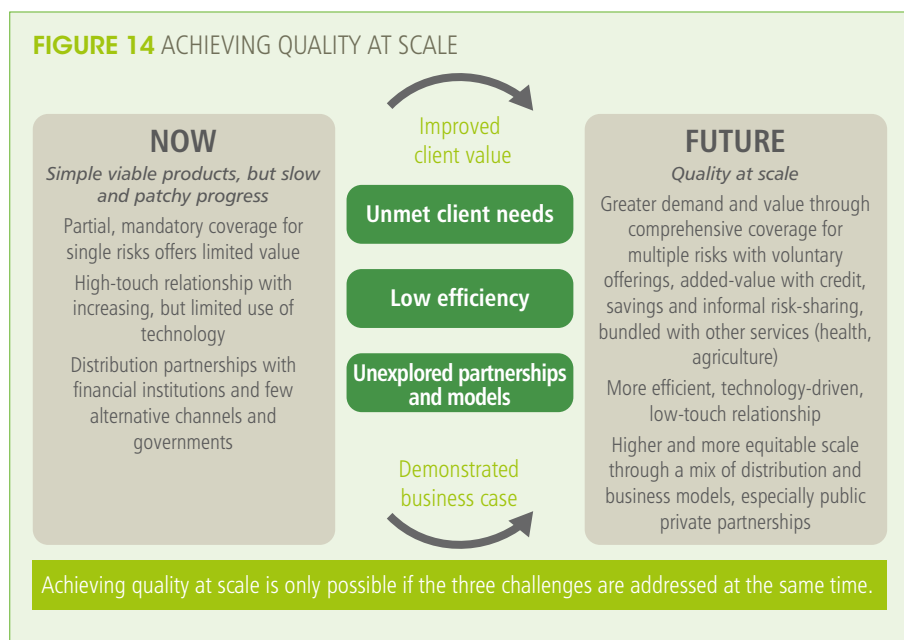


While there have been many breakthroughs in microinsurance market penetration in recent years, there are glaring geographic disparities, with oases of success amid vast deserts without coverage. The insurance industries in many countries have not been able to fulfil their potential to support economic development. Although a few countries are pushing ahead, the majority remain in the first two stages of development. There is currently an urgent need to accelerate the growth of emerging insurance markets in these countries. Insurers recognize this need. This year *The Economist's* Intelligence Unit's survey of insurers found that nearly one-half (45 per cent) of respondents said that supranational organizations should work with developing countries to inform policymakers better of the value of catastrophe insurance and other forms of insurance as a top priority.

2014–18: QUALITY AT SCALE

There is a need for leadership to develop microinsurance markets. In order to fill this role, the Facility will need to continue its effort to push the frontiers of innovation, but also to shift its focus towards facilitating capacity building and fostering a conducive environment within selected countries.

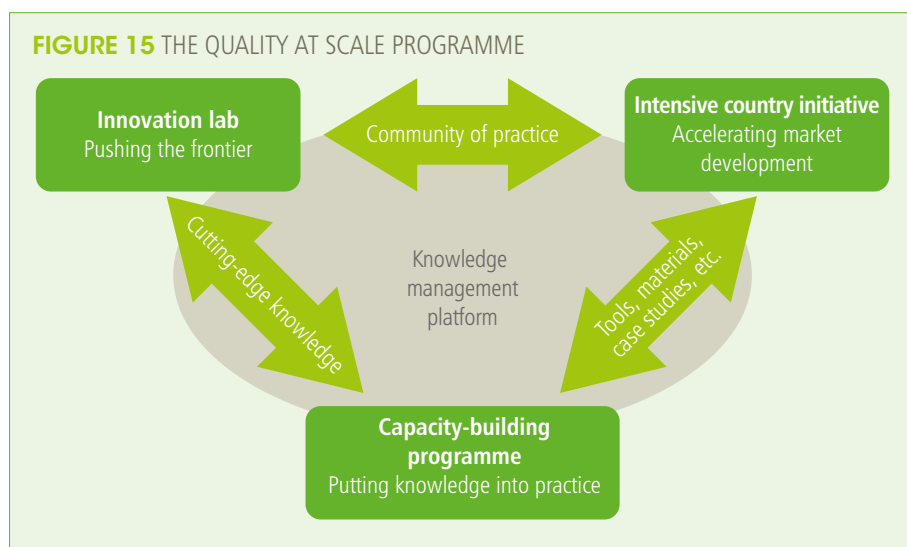
The Facility is therefore embarking on a new journey with a 5-year Quality at Scale programme, designed to reduce the vulnerability of 100 million low-income persons. Figure 14 illustrates the changes the programme hopes to achieve, and the challenges it needs to overcome to achieve this scenario.



To overcome these challenges, the Quality at Scale programme includes:

- Intensive country initiatives: Engage with stakeholders to help develop microinsurance. Through training and consultancy, policy dialogue and consumer education, the Facility will stimulate market development and promote public-private partnerships.
- Capacity-building programme: Use the knowledge and experience of the Facility's current and future partners to create capacity-building tools for use by "multipliers", such as insurance institutes and consultants.
- Innovation laboratory: Partner with a dozen leading microinsurers and support their efforts to experiment with alternative approaches, including using technology to enhance client value.

All three aspects will be underpinned by the Facility's knowledge management expertise (see Figure 15). The Facility will oversee and analyse the experiences and knowledge gained through this work, and share these with the industry.



The Facility is already enhancing its tools in order to deliver these programmes. It is developing its first electronic learning module, and will continue to develop further training modules and tools according to the needs of the countries it focuses on. It will also build skills and capacity in these countries through partnerships with local training institutes. Further, the innovation laboratory and country initiatives will build on and use the evidence already collected while working with practitioners and policymakers during the Facility's first phase.

After 6 years of gathering lessons from around the globe, the Facility is ready to apply this knowledge intensively in those countries with the greatest potential to promote thriving microinsurance markets. We believe that insurance has the power to change people's lives, and intend to make sure that it reaches those who need it the most.

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ANNEXES

ANNEX I. FACILITY PARTNERS



INNOVATION GRANTEES, 2008 TO 2013

SUMMARY

| | |
|---|------------------------|
| Institutional model | 1 active, 8 completed |
| Health | 11 active, 9 completed |
| Property/Agriculture/Livestock | 4 active, 7 completed |
| Life/Accident | 2 active, 5 completed |
| Composite/Savings-linked | 4 active, 4 completed |
| Consumer education | 4 completed |
| Other | 2 completed |

| PARTNER | THEME | PROJECT | KEY ACHIEVEMENTS |
|--|--------------------|---|---|
| AFRICA and the MIDDLE EAST (9 active; 9 completed) | | | |
| CERMES (Mali, Comoros) | 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; sell through retail channels using mobile phones | Pilot covered 1,500 lives, suggested improvements to savings-linked product and a different distribution strategy |
| CIDR (Senegal) | Health | Achieve economies of scale by pooling resources of six insurers and creating a shared administrative platform for HMI (health microinsurance) | 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 Financial 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 | First livestock insurance product introduced in the area New product developed for quick loss estimation 2,500 families covered Expansion within Kenya (seven districts) and to southern Ethiopia Positive impact of insurance purchase observed in consumption patterns of pastoralists |
| 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 hospital cash product in Jordan More than 100,000 women covered as of March 2013 Careful monitoring has led to actions to increase client value and streamline operations Piloting voluntary rider for family members |
| Old Mutual (South Africa) | Institutional model | 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 public–private partnership 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 Automation of premium collection via mobile phones First life microinsurance in Burkina Faso |

| PARTNER | THEME | PROJECT | KEY ACHIEVEMENTS |
|--|---------------------|--|--|
| 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 subsidized by the Government |
| ASIA and the PACIFIC (3 active; 8 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 | First weather-indexed insurance product introduced in Sri Lanka Insurance coverage provided to 12,000 farmers 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 Policies have been transferred to the government, which plans to launch its national scheme in 2014 |
| ICARD (China) | Agriculture | Pig 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 |
| Naya Jeevan (Pakistan) | Health | Employer-sponsored health insurance bundled with value added services and primary care; targets the working poor, including domestic workers | Lessons on an innovative distribution model to overcome financial and access constraints; providing subsidized inpatient and outpatient benefits (but barriers to scale) 24,000 clients and 72% 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 |

| PARTNER | THEME | PROJECT | KEY ACHIEVEMENTS |
|--|---------------------|---|--|
| RADOL (Bangladesh) | Composite | Pilot involving six financial NGOs to provide 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 |
| INDIA (6 active; 11 completed) | | | |
| Amicus Advisory | Health | Test biometric cards to enhance efficiency of government-sponsored HMI | Smart card application for outpatients and inpatients developed 2,800 enrolled for smart card Training provided to 30 service providers for use of smart cards for outpatients Technology helped reduce time for registration and claims approval |
| Calcutta Kids | Health | HMI plus outpatient counselling service | Project discontinued |
| CARE Foundation | Health | Hub-and-spoke primary health care delivery via village health workers supported by remote doctor, bundled with voluntary outpatient insurance | 1,000 families covered by outpatient product Reduced hospitalization expenditure, increased health-seeking behaviour |
| CIRM | Other | Spatial mapping of microinsurance products and best practice in India | Online database developed which tracks data, insights and trends |
| Dhan Foundation | Agriculture | Use of weather-indexed crop insurance to counter risks | Village infrastructure developed: 150 rain gauges in 15 locations 15,000 farmers covered by insurance 30,000 farmers literate in insurance Over 140 community leaders on crop insurance developed |
| FINO Fintech | Health | Distribute telemedicine and microinsurance products through agent banking delivery channel (business correspondent) | Product launched in three districts 200 channel salespersons trained for combining insurance sales with account opening Obtained corporate agents licence for distribution of insurance products Merchant shops and money-transfer outlets enrolled to sell the product |
| ICICI Lombard | Health | Pilot outpatient benefits to complement RSBY's inpatient HMI | Biometric smart card adapted for benefit delivery Over 700,000 covered; over 100,000 claims Government to integrate outpatient benefits into RSBY |

| PARTNER | THEME | PROJECT | KEY ACHIEVEMENTS |
|-----------------------------------|---------------------|---|--|
| ICICI Prudential | Life | Pilot insurance for informal tea workers using local community and tea estates as intermediaries | Two insurance products introduced to hitherto unexposed population 3,000 enrolments |
| IFFCO-Tokio General Insurance Ltd | Livestock | RFID of 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) |
| PWDS | Institutional model | Build capacity of community self-help group federations to link with insurance companies | Rural retail distribution channel developed, linked to insurance companies 20,000 families gained insurance literacy 25,000 lives covered by life insurance |
| SBI Life Insurance | Composite | Introduce new life and non-life composite product | Project discontinued |
| VimoSEWA | Health | Impact study of preventive health education on insurance use for common illnesses | Insured use health-care services more than the uninsured Ineffective outpatient interventions and failure to follow treatment regime 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 outpatient services can reduce hospitalization and improve renewals Scheme terminated as unviable |
| Tata AIG | Livestock | Pilot mobile technology for enrolment and claims for a livestock insurance product to reduce transaction costs | Technology, areas of operation and distribution partners finalized Software has been developed and introduced in two districts Improvement of turnaround time of enrolment and claims settlement observed |
| Uplift | Health | Savings-financed health product to attract non-borrowers; automate back-office functions for efficiency and expansion | Product developed and launched |

| PARTNER | THEME | PROJECT | KEY ACHIEVEMENTS |
|--|----------------------------|--|---|
| 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 areas 52 automated weather stations set up for collection and dissemination of weather data and to facilitate claims settlement Over 20,000 farmers insured |
| LATIN AMERICA AND THE CARIBBEAN (4 active; 10 completed) | | | |
| AIC (Haiti) | Life | Protecta funeral insurance distributed via financial institutions | First voluntary product in Haiti Over 15,000 insured Innovative marketing and distribution strategy |
| AMUCSS (Mexico) | Institutional model | RedSol rural distribution network | First network for voluntary microinsurance for rural organizations More than 45,000 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, with more than 25,000 active policies Credit-linked HMI product piloted Preventive health care delivered to female clients |
| Bradesco Seguros (Brazil) | Personal accident/ funeral | Distribution via point-of-sale technology and mobile phone | First microinsurance products launched under new legislation. So far more than 35,000 policies sold 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 stimulated |
| Don Juan (Mexico) | Institutional model | Distribution via point-of-sale technology in corner shops | Using point-of-sale technology for microinsurance transactions; 1,500 outlets 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 over two seasons Claims paid after two extreme weather seasons |

| PARTNER | THEME | PROJECT | KEY ACHIEVEMENTS |
|--------------------------------|---------------------|--|---|
| La Positiva (Peru) | Institutional model | Collaboration with rural water boards on distribution | New business line Refined business model for expansion beyond water boards Over 15,000 policies sold |
| 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 |
| Seguros Argos (Mexico) | Institutional model | Creating mutual insurance schemes | Project terminated |
| Seguros Futuro (El Salvador) | Life | Microinsurance for migrants' families | Over 15,500 remittance-linked policies Distributed through credit and savings cooperative system Financial education component in insurance institutionalized in the credit and savings cooperatives |
| 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 GIIIF grant to develop index-based agriculture microinsurance Haiti: New catastrophe microinsurance company |

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](#)



[MicroEnsure](#)



[Australian Agency for International Development](#)



[Microinsurance Learning and Knowledge / MicroInsurance Centre](#)



[Centre for Financial Regulation and Inclusion, South Africa \(Regional Partner\)](#)



[Microinsurance Network](#)



[Centre for Insurance and Risk Management, India \(Regional Partner\)](#)



[Munich Re Foundation](#)



[European Development Research Network](#)



[United Nations Capital Development Fund](#)



[FinMark Trust, Zambia \(Regional Partner\)](#)



[Z Zurich Foundation](#)



[Inter-American Development Bank \(Regional Partner\)](#)



ANNEX II. KNOWLEDGE PRODUCTS, 2013

MICROINSURANCE PAPERS, BRIEFING NOTES AND CASE BRIEFS



Churchill, C.; Dalal, A.; Ling, J. 2013. *Pathways towards greater impact: Better microinsurance models, products and processes for MFIs*, Briefing Note 15

Pott, J.; Holtz, J. 2013. *Value-added services in health microinsurance*, Microinsurance Paper 19, Briefing Note 16

Matul, M.; Dalal, A.; De Bock, O.; Gelade, W. 2013. *Why people do not buy microinsurance and what can we do about it*, Microinsurance Paper 20, Briefing Note 17

Bel, S.; Pinzón Caicedo, M. 2013. *Audiovisual mass media campaigns for insurance education: Stages and lessons*, Microinsurance Paper 21, Briefing Note 18

Lee, N.R.; Solana, J.M. 2013. *Beyond slogans: Good practices in promoting microinsurance products*, Microinsurance Paper 22, Briefing Note 19



Kimball, M.; Phily, C.; Folsom, A.; Lagomarsino G.; Holtz, J. 2013. *Leveraging health microinsurance to promote universal health coverage*, Microinsurance Paper 23, Briefing Note 20

Greyling, L.; 2013. *Microcare Insurance Uganda – Case Study*, Microinsurance paper 24

Oza, A.; Dalal, A.; Holtz, J.; 2013. *VimoSEWA's resurgence: Increasing outreach and managing costs in a voluntary stand-alone microinsurance programme*, Microinsurance paper 25

Prashad, P.; Saunders, D.; Dalal, A.; 2013. *Mobile phones and microinsurance*, Microinsurance paper 26

Cimon, E.; Harnasch, B.; Gross, P.; Fonseca, C.; 2013. *Removing obstacles to accessing microinsurance*, Microinsurance paper 27

Solana, M.; Gonçalves, L.G.F.; Merry, A. 2013. *Case Brief: Aseguradora Rural*

Matul, M.; Dalal, A.; Merry, A. 2013. *Case Brief: IFFCO-Tokio General Insurance Co.*

Ling, J.; Melchor Vila, M.; Solana, J.M. 2013. *Case Brief: La Asociación Mexicana de Uniones de Crédito del Sector Social (AMUCSS)*

Yang, M.; Merry, A. 2013. *Case Brief: SAJIDA Foundation*

RESEARCH PAPERS

Chen, K.; Hu, W.; Xiao C.; Xing, L. 2013. *Smallholder participation in hog insurance and willingness to pay for improved policies: evidence from Sichuan Province in China*, Research Paper 28

Platteau, J.; Ugarte Ontiveros, D. 2013. *Understanding and information failures: Lessons from a health microinsurance program in India*, Research Paper 29

Mahal, A.; Krishnaswamy, K.; Ruchismita, R.; Girish Babu, D. 2013. *What is a health card worth? An evaluation of an outpatient health insurance product in rural India*, Research Paper 30

Janzen, S.A.; Carter, M.R. 2013. *The impact of microinsurance on asset accumulation and human capital investments: Evidence from a drought in Kenya*, Research Paper 31

Landmann, A.; Frölich, M. 2013. *Can microinsurance help prevent child labor? An impact evaluation from Pakistan*, Research Paper 32

Schultz, E.; Metcalfe, M.; Gray, B. 2013. *The impact of health insurance education on enrollment of microfinance institution clients in the Ghana National Health Insurance Scheme, Northern Region of Ghana*, Research Paper 33

Liu, Y.; Chen, K.; Hill, R.; Xiao, C. 2013. *Borrowing from the insurer: An empirical analysis of demand and impact of insurance in China*, Research Paper 34

De Bock, O.; Ugarte Ontiveros, D.; 2013. *Literature review on the impact of microinsurance*, Research Paper 35

For all the Microinsurance Papers, Briefing Notes, Case Briefs and Research Papers go to: <http://www.microinsurancefacility.org/publications>

EMERGING INSIGHTS

EI 52: *Make a New Year's resolution*

Theme: Client value and business viability; Source: The Emerging Insights series

EI 53: *When simple is actually complex: Measuring the financial value of life microinsurance products*

Theme: Client value; Source: A study on the business case for life microinsurance in the Philippines by MILK

EI 54: *Dial-a-Doctor and value-added services: A cure for low demand for health microinsurance?*

Theme: Value-added services; Source: A study on cost and benefit of value-added services in health microinsurance

EI 55: *The promise of insurance helps families access cheaper funds and cope better*

Theme: Usage; Source: "Doing the Math" – Life Microinsurance in Mexico by MILK

EI 56: *Proximity and access to outpatient care may lead to fewer inpatient claims for insurers*

Theme: Value-added services; Source: A study on value-added services in health microinsurance

EI 57: *Farmers like to select their insurance cover*

Theme: Demand; Source: Weather Risk Management Services (WRMS), India

EI 58: *Health microinsurance reduces borrowing and increases consumption*

Theme: Health microinsurance; Source: A study on the impact of health microinsurance, Kenya

EI 59: *Our five favourite Emerging Insights*

Theme: Client value and business viability; Source: The Emerging Insights series

EI 60: *MFIs bring claims closer to clients*

Theme: Claims processing; Source: A study on how MFIs can improve microinsurance products

EI 61: *The “multiplier” effect: Distributing insurance through banking correspondents*

Theme: Distribution; Source: Bradesco Seguros, Brazil and FINO, India

EI 62: *From 2 months to 25 minutes: Leveraging technology and better processes for enrolment*

Theme: Technology; Source: AMICUS Advisory, India

EI 63: *A good call: Using mobile phones to improve premium collection and data quality*

Theme: Technology; Source: UAB Vie, Burkina Faso

EI 64: *Insurance helps clients reduce (but, not avoid) using stressful informal coping strategies*

Theme: Client value, informal risk management mechanisms; Source: A review of Fonkoze's property insurance product

EI 65: *Keeping PACE with client value*

Theme: Client value; Source: SAJIDA Foundation

EI 66: *A broad range of distribution channels with scale supports microinsurance expansion and penetration*

Theme: Distribution channels; Source: The Landscape of Microinsurance in Latin America And The Caribbean: A Briefing Note

EI 67: *What is the value of outpatient health insurance?*

Theme: Clients, business viability, health; Source: A study on the impact of outpatient health microinsurance

EI 68: *A country's stage of microinsurance market development indicates unique market gaps and opportunities*

Subtopic: Business models, Country experience; Source: The Landscape of Microinsurance in Latin America and the Caribbean: A Briefing Note

EI 69: *Developing an insurance market, one step at a time*

Subtopic: Country experience; Source: Market development initiatives in Zambia

EI 70: *Pushing the innovation frontier in microinsurance*

Subtopic: Other channels, client interface, country experience, mobile network operators, improving value; Source: Emerging Insight series

EI 71: *Do premium subsidies stimulate demand? Maybe...*

Subtopic: Subsidies, demand; Source: A study on demand for microinsurance

EI 72: *Governments and private health microinsurance schemes can work together to achieve universal health coverage*

Subtopic: Health; Source: A study on leveraging health microinsurance to promote universal health coverage

EI 73: *Insurance allows households to cope better with shocks*

Subtopic: Impact; Source: A study on the impact of index insurance in Kenya

EI 74: *Leveraging culture to promote viability*

Subtopic: Business viability, impact, improving value, health; Source: VimoSEWA, India

EI 75: *Tweets from the 9th international microinsurance conference*

Subtopic: Business viability, improving value, health; Source: 9th International Microinsurance Conference

EI 76: *A systematic review of the impact of microinsurance*

Subtopic: Impact; Source: A study on the impact of microinsurance

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

VIDEOS

Putting clients first: The case of SAJIDA Foundation

Driving change through peer learning

Status of microinsurance today (Craig Churchill)

For all videos, go to:

<http://www.microinsurancefacility.org/videos>

ANNEX III. KNOWLEDGE SHARING AND CAPACITY BUILDING, 2013

EVENTS

Peer Learning 2013: Client Value Assessment of SAJIDA Foundation's Nirapotta product, Dhaka, Bangladesh, April

Training on Pathways Towards Progress: Improving Your MFI's Microinsurance Offering, Manila, Philippines, April

Programme on Microinsurance Business Strategies for East African Markets, Nairobi, Kenya, April

Panel discussion (with webcast) on New Opportunities in Microinsurance Distribution, London, United Kingdom, May

Training on Microinsurance Pricing, Nairobi, Kenya, June

Knowledge Sharing Forum on Technology in Microinsurance (with webcast), Accra, Ghana, June

Panel discussion (with webcast) on Delivering on the Promise of Microinsurance: Putting Clients First, New York, USA, July

Webinar on Building an Inclusive Insurance Market, August

Webinar on Landscape of Microinsurance in Latin America: New trends, September

Dialogue on How to Make Health Micro-insurance in Sub-Saharan Africa Work, Geneva, Switzerland, September

Training on Market Research for Microinsurance: Translating Consumer Insights into Improved Results, Lusaka, Zambia, November

Practitioner Learning Group experience sharing on Improving Client Value, Jakarta, Indonesia, November

6th Microinsurance Innovation Forum, Jakarta, Indonesia, November

Training on Microinsurance Promotion in partnership with Appui au Développement Autonome (ADA), Cotonou, Benin, December

BOX 20 TRAINING IN 2013



Training for financial institutions in Manila

Training in 2013 has included:

- Training to help financial institutions improve their microinsurance offerings in the Philippines
- Executive training in Kenya in partnership with Cenfri on microinsurance business strategies for East African markets
- Pricing training in partnership with the Kenyan Insurance Regulatory Authority
- Pilot of new training module on market research in Zambia
- Training on microinsurance promotion in partnership with Appui au Développement Autonome (ADA) in Benin

Efforts to lay the foundation for creating a holistic microinsurance curriculum continue. In the first half of 2013, the Facility, jointly with the Micro Insurance Network, and with inputs from the Curriculum Advisory Board as well as other external stakeholders, produced a concept note presenting the need for a holistic curriculum and some guiding principles for its development. This is an important springboard for the Facility's increasing focus on capacity building as it moves into its next phase. The Facility also continues to experiment with new training mediums, and is currently developing its first blended e-learning module on market research.

FELLOWSHIPS

| FELLOW | BACKGROUND | HOST | MENTOR | FELLOWSHIP OBJECTIVE |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------|--|
| Boudewijn Sterk (The Netherlands) | Development specialist | SAJIDA Foundation, Bangladesh | Agrotosh Mookerjee (UK) | Improve operational processes, train staff, support product and strategy development |
| Rim Nour | Financial services specialist | ILO/Fonkoze, Haiti | Marc Nabeth (FR) | Develop the capacity of local institutions on the implementation of catastrophe insurance programmes |
| Sarahjane Phelan | Actuary | UAB, Burkina Faso | Eric Gerelle (CH) | Finalize microinsurance business processes, and support product development and expansion in new zones |
| Tyler Tappendorf | Development specialist | Cenfri, South Africa | Pranav Prashad (ILO) | Design action research frameworks; launch and test the innovation lab concept with private sector partners |

ANNEX IV. FACILITY TEAM

Craig Churchill

Team Leader

*Nicole Marie Afable***

Junior Knowledge Officer

Aparna Dalal

Consultant

*Camyla Fonseca***

Junior Knowledge Officer

Béatrice Guillemain

Project Assistant

*Xinxing Li**

Junior Knowledge Officer

Aida Lindmeier

Project Assistant

Michal Matul

Senior Research Officer

Jeanna Holtz

Chief Project Manager

Alice Merry

Junior Knowledge Officer

Caroline Phily

Microinsurance Officer, Africa

Pranav Prashad

Microinsurance Officer, India

Miguel Solana

Microinsurance Officer, Latin America and the Caribbean

Jasmin Suministrado

Knowledge Officer

*Mary Yang**

Microinsurance Officer, Asia

* Xinxing Li and Mary Yang left the Facility in February and September respectively.

** Camyla Fonseca and Nicole Marie Afable joined the Facility in January and February respectively.

Interns made valuable contributions to the Facility in 2013. Special thanks to Mariana Pinzón-Caicedo, Catherine Denoon-Stevens and Tobias Hoffarth for their dedication.

FACILITY TEAM



(From left to right): Béatrice Guillemain, Craig Churchill, Nicole Marie Afable, Camyla Fonseca, Jeanna Holtz, Jasmin Suministrado, Pranav Prashad, Caroline Phily, Aida Lindmeier, Aparna Dalal, Tobias Hoffarth, Miguel Solana, Michal Matul and Alice Merry

ACRONYMS AND ABBREVIATIONS

| | |
|-----------|---|
| A2ii | Access to Insurance Initiative |
| ADA | Appui au Développement Autonome |
| AIC | Alternative Insurance Company |
| AKI | Association of Kenya Insurers |
| AMUCSS | Asociación Mexicana de Uniones de Crédito del Sector Social |
| ARY | Arogya Raksha Yojana |
| AusAID | Australian Agency for International Development |
| CBHI | Community-based health insurer |
| Cenfri | Centre for Financial Regulation and Inclusion |
| CERMES | Centre de recherche médecine, sciences, santé et société |
| CHW | Community health worker |
| CIC | Cooperative Insurance Company |
| CIDR | Centre International de Développement et de Recherche |
| CIRM | Centre for Insurance and Risk Management |
| CNSeg | Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização |
| DID | Développement international Desjardins |
| EUDN | European Research Development Network |
| Fasecolda | La Federación de Aseguradores Colombianos |
| FFH | Freedom from Hunger |
| FINO | Financial Inclusion Network & Operations |
| GIIF | Global Index Insurance Facility |
| GK | Gonoshathaya Kendra |

| | |
|--------|--|
| GRET | Groupe de Recherches et d'Echanges Technologiques |
| HMI | Health microinsurance |
| IAIS | International Association of Insurance Supervisors |
| 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 |
| IRI | International Research Institute for Climate and Society |
| ITGI | IFFCO-TOKIO General Insurance |
| MFI | Microfinance institution |
| MFO | MicroFinance Opportunities |
| MFW | Microfund for Women |
| MiCRO | Microinsurance Catastrophe Risk Organisation |
| MILK | Microinsurance Learning and Knowledge |
| MNYL | Max New York Life |
| NGO | Non-governmental organization |
| NHIF | National Hospital Insurance Fund |
| PACE | Product, Access, Cost, Experience |
| PGI | Prime General Daagtaal Insurance |
| PICC | People's Insurance Company of China |
| PWDS | Palmyrah Workers' Development Society |
| RADOL | Rehabilitation and Development Organization for Landless |
| RBAP | Rural Bankers Association of the Philippines |
| RedSol | Solidaria de Microseguros Rurales |
| RFID | Radio frequency identification device |

| | |
|-------|---|
| 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 |
| WRMS | Weather Risk Management Services |



Social Finance Programme – Enterprises Department
International Labour Office (ILO)
4, route des Morillons
CH-1211 Geneva 22
Switzerland

Tel.: +41 22 799 6786
Fax: +41 22 799 6896
Email: microinsurancemedia@ilo.org
Web: www.ilo.org/microinsurance



International
Labour
Office



This is the sixth 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 good-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](#).

