



International  
Labour  
Organization



# An introduction to Microinsurance

Presentation for:

## SIAS: The Staple Inn Actuarial Society

Lisa Morgan, FIA

The ILO's Impact Insurance Facility

Date: Tuesday / 1 / September / 2020



---

# Disclaimer

**The views expressed in this presentation are those of the speaker,**

**Lisa Morgan,**

**and not necessarily of the**

**Staple Inn Actuarial Society or the ILO**

## Definition of microinsurance

- ▶ The term “**microinsurance**” emerged in the late 1990s in the context of international development and as a bundled service with microfinance – allowed the poor to gain access to credit, supporting the business viability of the credit providers **and** allowing the loan taker to protect their productive assets and children from early removal from school to work.
- ▶ Since then, a number of definitions have been given...



© ILO, Fiorente A.



© ILO, Crozet M.



© ILO Crozet M.

## Definition of microinsurance

SOURCE	DEFINITION
Insurance Regulatory and Development Authority, India, 2005	A general or life insurance policy with a <b>sum insured of approximately USD 800 or less.</b>
International Association of Insurance Supervisors, 2007	Insurance that is accessed by the <b>low-income population</b> ,...
International Labour Organization, 2008	...insurance specially designed for <b>low-income people</b> , with premiums and benefits to match their needs. It is particularly important for those in the <b>informal economy</b> who tend to be underserved...
Supervisor Brazil, 2008	...protection against specific risks which aims fundamentally to <b>preserve the socioeconomic personal and family situation of the low-income population</b> ...
Philippines Insurance Commission, 2010	...is an activity providing... that meets the needs of the <b>low-income sector</b> for risk protection and <b>relief against distress, misfortune and other contingent events.</b>
The South African Microinsurance Policy Framework, 2011	Products that are accessible and/or used by <b>low-income households</b>
The Kenya Microinsurance Policy Paper, 2014	... accessible to the <b>low-income population</b> and where the risk insured under a microinsurance policy is managed based on insurance principles and funded by premiums

# Five characteristics of the low-income market



1. Lower, more irregular and more unpredictable incomes



2. Less access to infrastructure and services



3. Greater vulnerability to risk



4. Little experience with insurance



5. Socioeconomic networks that differ from those used by insurers

# Challenges of microinsurance distribution

## On demand side

Remote or  
difficult to  
reach

Inexperienced  
with insurance

Unfamiliar to  
insurers

## On supply side

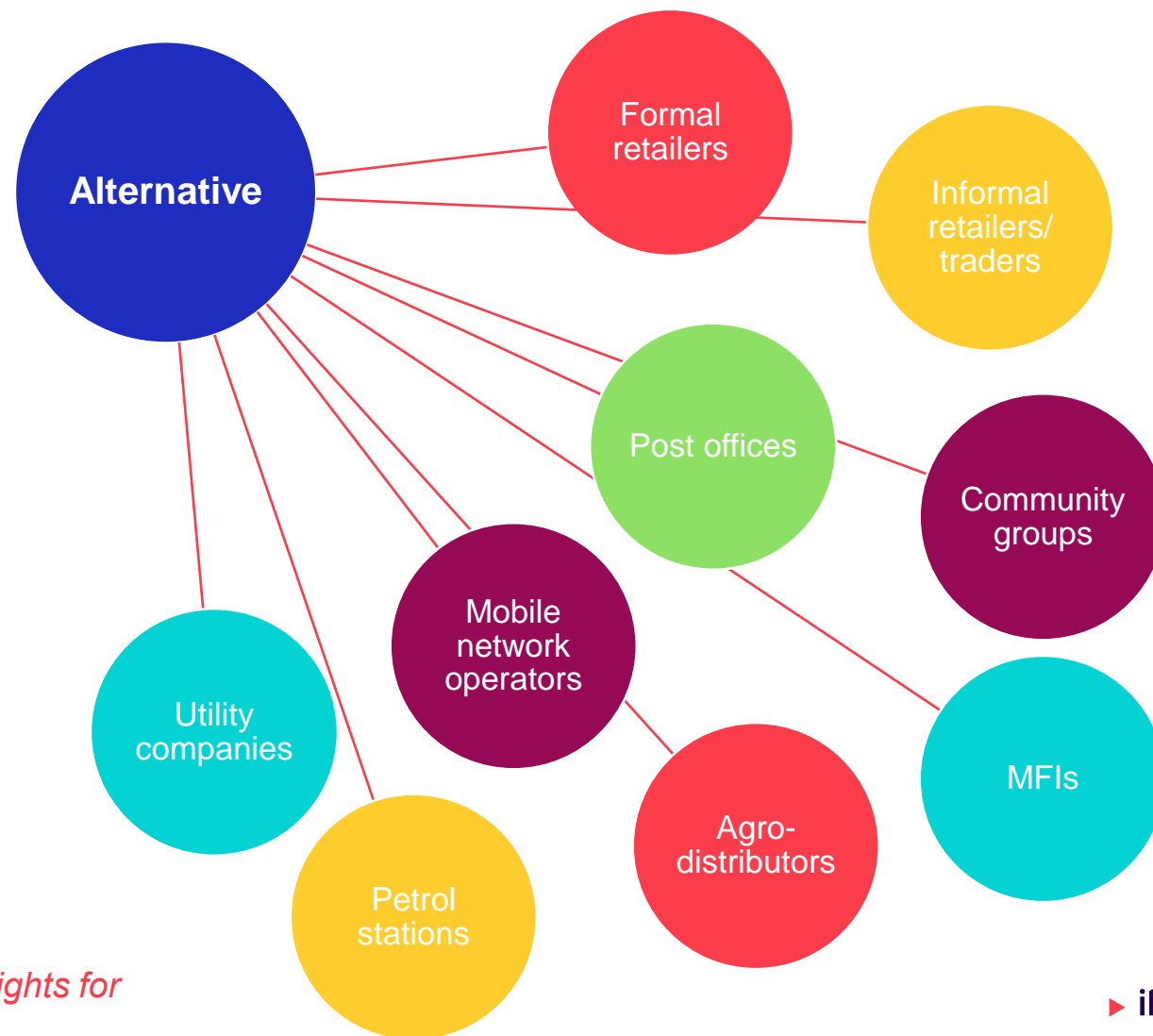
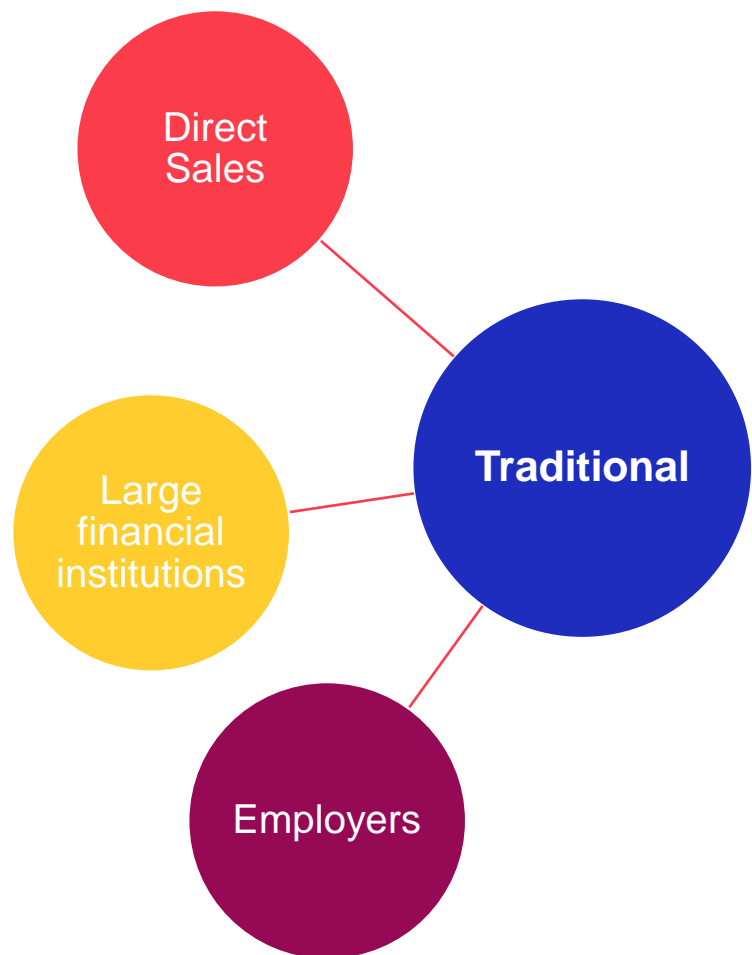
Low margins  
make direct sales  
expensive

Alternative  
channels lack  
experience

Difficult to find  
appropriate  
incentives for  
distributors



# Traditional vs. Alternative Distribution





## The UN

- Activities: maintains international peace and security, protects human rights, delivers humanitarian aid, promotes sustainable development and upholds international law



## The ILO

- Promoting Jobs, Protecting People

## Enterprises/ Employment Promotion

- **Productive employment** for decent living standards, social & economic integration, personal fulfilment & social development



## Social Finance Programme

- For **social justice**, supports efforts to extend financial services to excluded persons by addressing two main goals:
  - promotion of **better employment**
  - **reduction in vulnerability** of the **working poor**



## Impact Insurance Facility

- Vision: **insurance** realises its potential for **economic & social development**

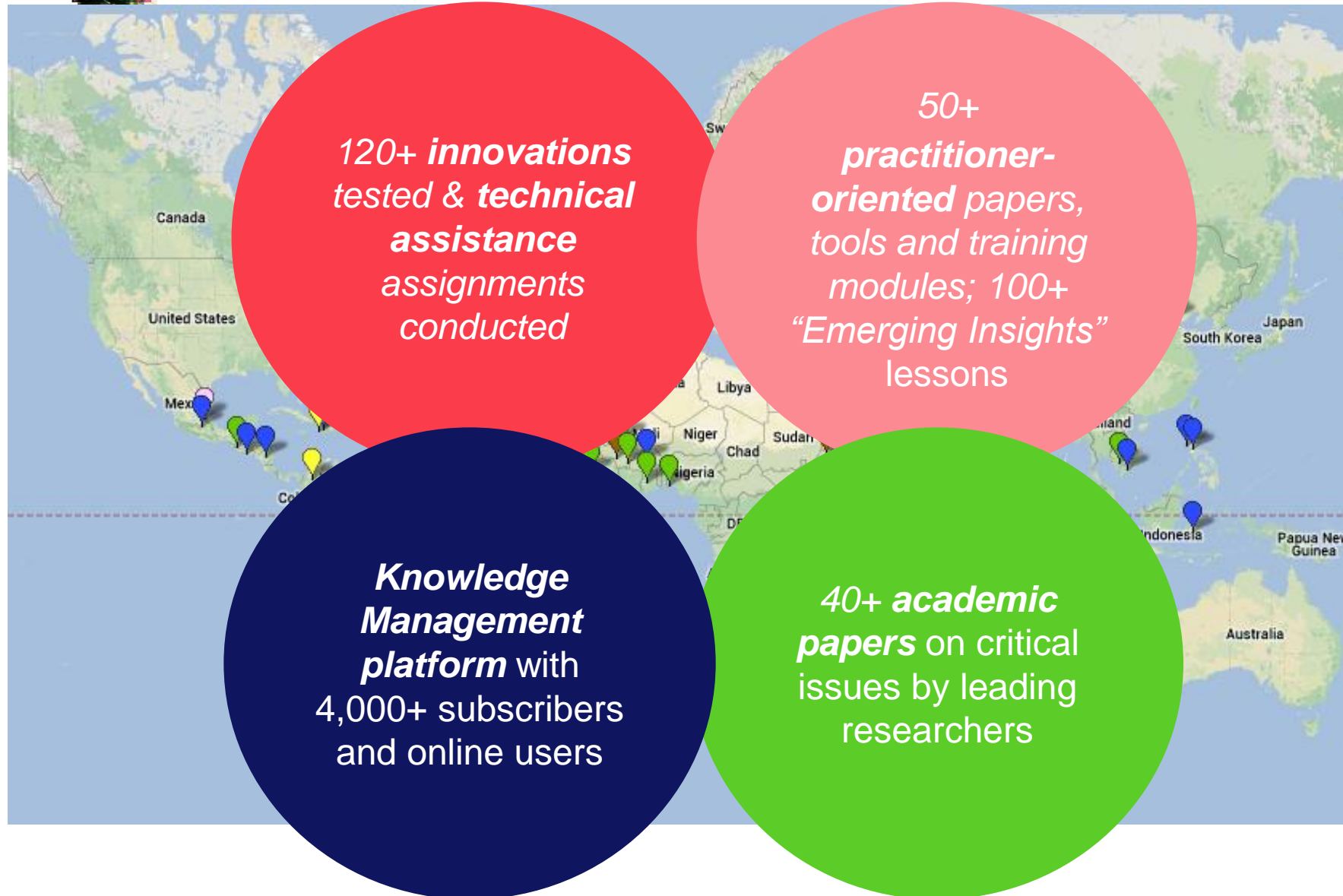




International  
Labour  
Organization



# Our work 2008-2019



# The ILO's Impact Insurance Facility

## Mission and Strategy

Enable insurance sector, governments and their partners to realize the potential of insurance to...

...reduce household vulnerability

...promote stronger enterprises

...achieve public policy objectives (UHC, food security, climate change)

...through building quality risk-management solutions at greater scale

### 1. Research & innovation

*Pushing the frontier*

Community  
of practice

### 3. Market development

*Accelerating progress*

Cutting-  
edge  
knowledge

### 2. Capacity building

*Putting insights into practice*

Practical  
solutions

**Current Focus:**  
To build quality  
at scale



- Leaders in consumer-centric solutions
- Driven by evidence and experience-based learning
- Partnership catalyst

# Initiative #1: Research & innovation

**Goal:** work with insurance industry to find, evaluate and share the solutions that push frontiers

## **Activities:**

- Innovation projects with our partners
- Fellowship Programme
- Focused evaluations
- Partnerships with regional or local think-tanks
- Impact studies

## **Research outputs:**

- Insights
- Thematic studies on game-changing solutions
- Case studies
- Academic literature reviews

## **Innovation outputs:**

- Solutions have pushed the frontier of MI
- Valuable products reach scale
- Replicable innovations provide demonstration cases

## **Outcome:**

- Improved practice through knowledge management, capacity building and market development initiatives



# Initiative #2: Knowledge Management & Capacity Building

- ▶ Across our innovation projects & beyond:
  - Consumer Education
  - Web training
  - Papers
  - Case briefs
  - Emerging Insights
  - Learning Journeys
  - Community of Practice, peer exchange, peer coaching
  - Webinars
- ▶ Knowledge Management portal/website
- ▶ Capacity Building Programme: in-country training sessions (currently virtual), Insurance for Development
- ▶ Multiplier work with 4 centres: Kenya, Senegal, Cameroon & Nigeria (possibly Egypt). Also Bangladesh & Philippines.

## What's New

11.02.2020  
**Pricing for inclusive insurance**  
March 18-20, 2020  
Kampala, Uganda

05.02.2020  
**Insurance for SMEs**  
Small businesses are vital to economic development. Yet, they are exposed to high risks and often struggle more than larger businesses to cope with them. Insurance represents an important tool to help businesses better manage risks, but small businesses worldwide are generally underinsured or have n

31.01.2020  
**Proportionate risk assessment for insurance products**  
February 6-7, 2020  
Kampala, Uganda

28.01.2020  
**The best of 2019**  
In 2019, the Impact Insurance Facility continued to draw insights from pioneering companies that are contributing to the development agenda. Our Emerging Insights of 2019 covered a variety of topics, ranging from innovation labs for inclusive insurance, partnerships with governments to offer agriculture insurance, digitalization of renewal processes, to client personas and alternative distribution channels.

09.01.2020  
**Complementary health insurance and services**  
May 19-20, 2020  
Kigali, Rwanda

## Our resources

[Twitter](#) [Like](#) [Share](#)

The Facility generates knowledge from its pool of almost a hundred projects in more than 35 countries, as well as partners in Africa, Asia, and Latin America. You can explore this knowledge through a range of resources – from quick updates to papers exploring one theme in depth.



### Lessons from insurance practice

This section presents lessons learned by our insurance practitioner partners implementing various types of insurance schemes targeted towards financially excluded populations.

[Explore](#)



### Emerging Insights

Subscribe to our Emerging Insights and receive short biweekly emails on innovations and practice-based lessons in impact insurance across the world.

[Explore](#)



### Publications

Our publications explore one theme or project in more depth. They include Microinsurance Papers, Briefing Notes, and Research Papers. To view the publications by type, click here.

[Explore](#)



### Training Modules and Tools

Access our range of tools, such as handbooks, exercises, and checklists, to support your work in impact insurance.

[Explore](#)



### Events

Our events are known for addressing pressing questions in impact insurance with real-life expertise. If you miss out on an online or in-person event, catch up through our webinar recordings and Lesson Reports.

Find out when we will be at an event near you and join us here.

[Explore](#)



### Videos

We capture on video insights from leading figures in impact insurance.

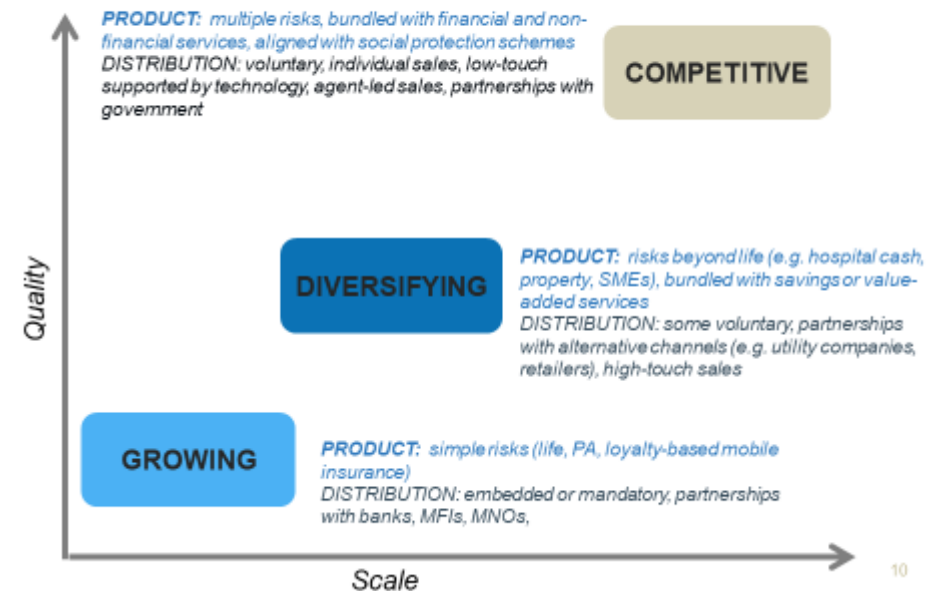
[Explore](#)



## Initiative #3: Market Development

- ▶ Working with regulators and others to create an enabling environment
- ▶ Building of Community of Practitioners
- ▶ Technical Assistance tools & resources
- ▶ Consumer education toolkits
- ▶ MIN Best Practice Group

### Stages of market development



# Case Study #1: Microfund for Women (MFW)

## Distributor

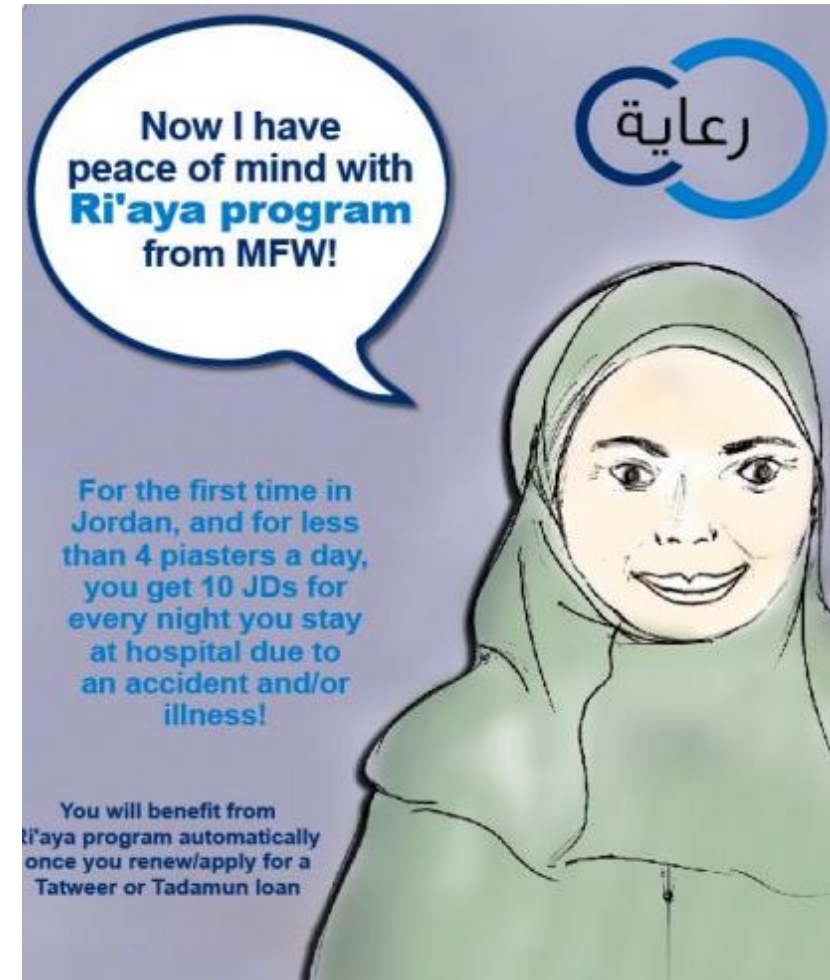
Microfund for Women  
(MFW)

## Country

Jordan

## Product type

Hospital cash







International  
Labour  
Organization



## Case Study #2: NHIA

### Social Insurer

National Health Insurance  
Scheme (NHIS)

### Country

Ghana

### Process

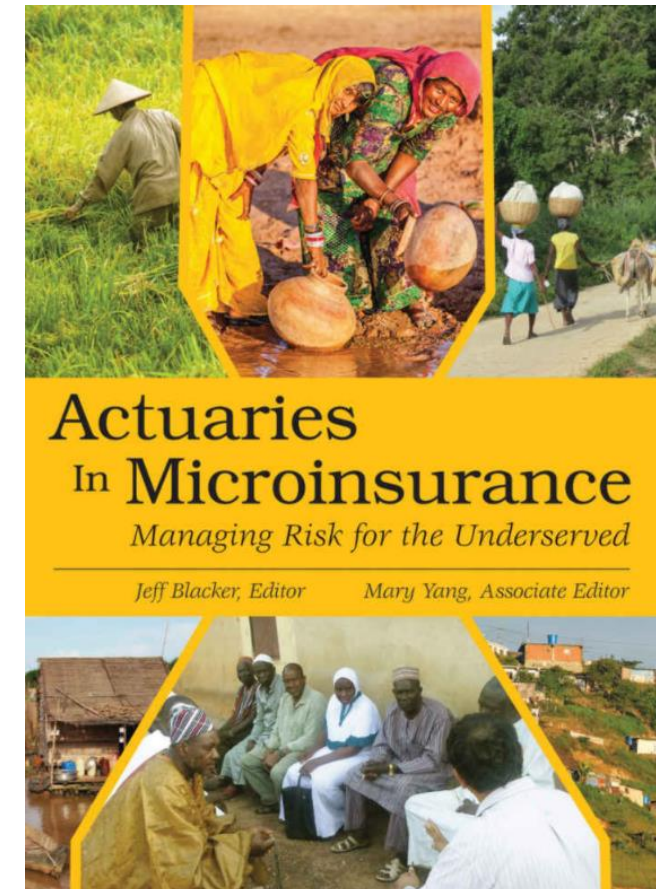
Mobile Renewal



[Link to highlights video](#)

## ▶ Actuaries can help by applying skills & developing new ones – but must be more assertive in leading

- ▶ Identify key financial risks
  - But must be evidence based
- ▶ Design & price appropriate funding mechanisms to pool risk (e.g. products), reserving
- ▶ Help set up & track monitoring systems
- ▶ Evaluate financial consequences of different policy proposals
- ▶ Identify inefficiencies in operations & quantify impact of change
- ▶ Assist implementation, especially setting up partnerships
- ▶ Build actuarial projection models
- ▶ Help educate others about risk, insurance and actuarial concepts





## About the ILO Fellowship Programme

The Facility's Fellowship Programme encourages professionals with substantial experience to use their expertise to support projects. ILO fellows are mid-career professionals with relevant technical background (e.g. actuarial, insurance, technology, research and/or marketing) and are further trained and mentored by the Facility's technical team. Fellows provide technical assistance and project management support to the implementing partner over the project duration, and are encouraged to develop their skills on an ongoing basis through participation in webinars, training and one-on-one support from their mentors. Further, fellows are part of a larger cohort of Impact Insurance Fellows that are currently working on other innovation projects in Africa and beyond.



Fellowship Community of Practice (COP) Meeting, Kenya 2018



Indonesia-based COP 2020

## Interested in becoming an ILO Fellow?

Please contact me – we are currently recruiting

Lisa Morgan

[morgan@ilo.org](mailto:morgan@ilo.org)



Fellowship Induction Meeting

## Newsletter and Website

Sign up to the ILO's Impact Insurance Facility's [newsletter](#)

Visit our website: <http://www.impactinsurance.org/>

Our mission: to enable the insurance industry, governments, and their partners to realize the potential of insurance by building quality risk-management solutions at greater scale.

► The ILO's Impact Insurance Facility



International  
Labour  
Organization



IMPACT INSURANCE

► **Thank you**

Lisa Morgan, FIA

The ILO's Impact Insurance Facility