



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

**Swiss Agency for Development
and Cooperation SDC**



Microinsurance An Introduction and Overview

**Rotary International, DISTRIKT 2000
Nationales RFPD–Forum
5 October 2012, Berne**

Microinsurance

Insurance designed to serve the low-income market:

- **appropriate cover**, corresponding to client need
- **few to no exclusions**
- **premium payment** reflects income stream
- **quick claims settlement**: days, not months

Microinsurance should be **SUAVE**:

Simple

Understood

Accessible

Valuable

Efficient

Insurance

“ Covers an individual / company / household for **some or all** of a **financial loss** that is linked to an **unpredictable event** or risk, via **risk pooling** and the **payment of a premium** ”

Characteristics of Insurable Events

- Randomness: the event must be unpredictable, yet calculable
- Low chance of occurrence during the period of insurance
- Uncontrollable by the insured or a related party
- Adverse financial consequence (loss)
- Unequivocal as to whether the event occurred or not

Difficulties Selling Insurance

- Target market is **unfamiliar** with insurance concepts
- **Trust** levels are generally low
- Insurance is **intangible**
- premium are **not reimbursed**

Risks an Insurer Faces

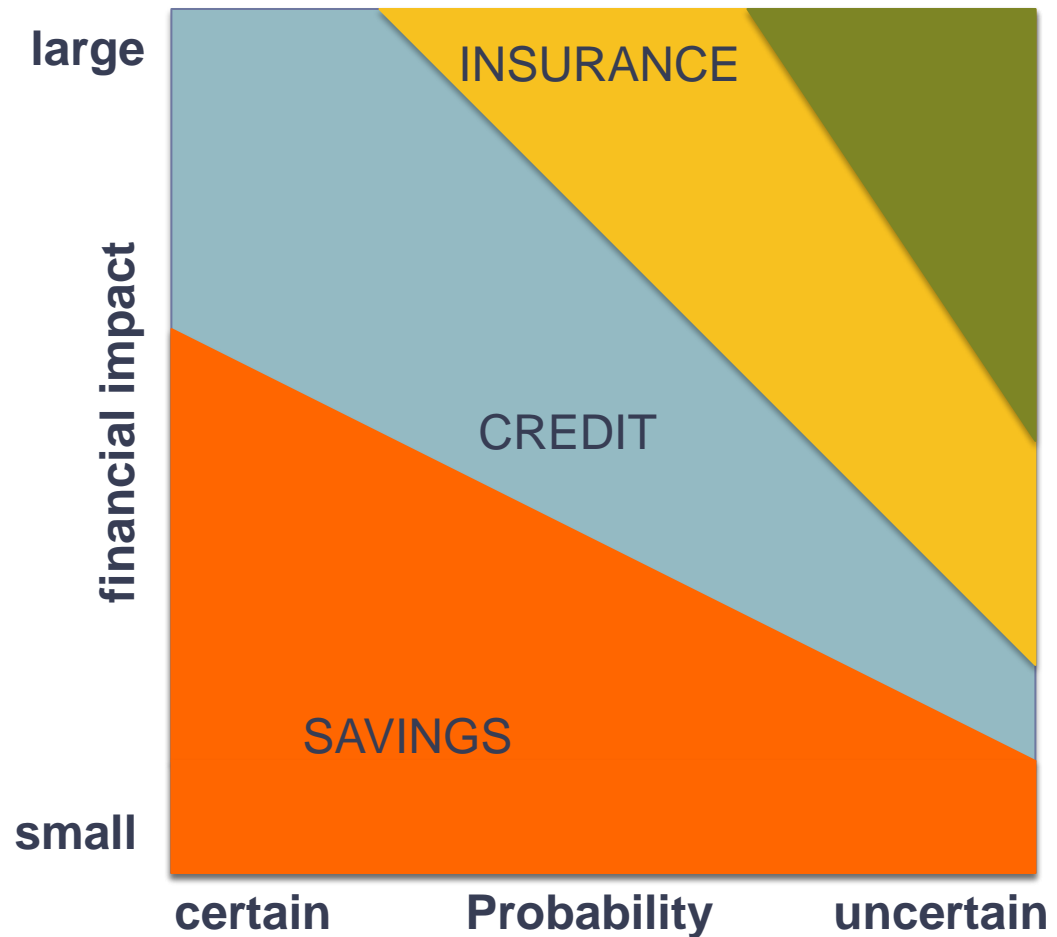
- **Adverse Selection**
People with a higher than average risk getting cover at the average premium rate
- **Moral Hazard**
Change towards riskier behaviour because of insurance
- **Fraud**
Intentional perversion of the truth
- **Covariance**
Affects large numbers at once

Savings? Credit? Insurance?

... it depends on the event characteristics.

Insurance: provides safety-net, kick-starts development, pays back multiple of premium in case of emergency, no

debt

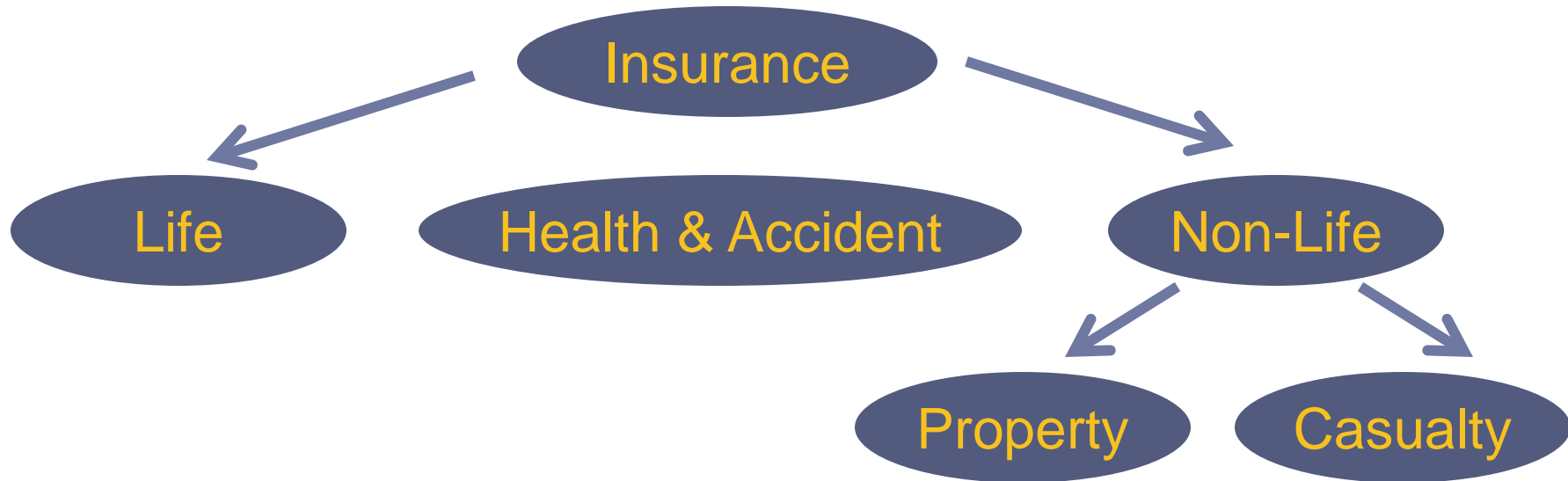


Microcredit versus Microinsurance

- Micro**credit**: helps people to **improve** their lives – lifts them out of poverty. E.g. access to working capital, investments.
- Micro**insurance**: helps people **protect** what they have achieved – and may **facilitate** access to credit

Note: microinsurance may also facilitate access to credit: insurance → credit → investment → increased net income

Insurance Categories / Products



- Term Life
- Endowment
- Pensions

- Inpatient
- Outpatient
- Hospital cash

- Fire
- Nat. Disasters
- Theft
- Agriculture

Health Microinsurance – Context

High in demand, difficult to provide. Reasons:

- Almost everybody is concerned about health costs
- Good healthcare tends to be costly
- High claims frequency
- Healthcare infrastructure is often in poor shape
- Once insured, people change health care seeking behaviour
- Complex service chain with misaligned incentives
- HMI project designed so far to
 - address vulnerability, or
 - improve health outcomes

HMI – Some Facts

What we find today:

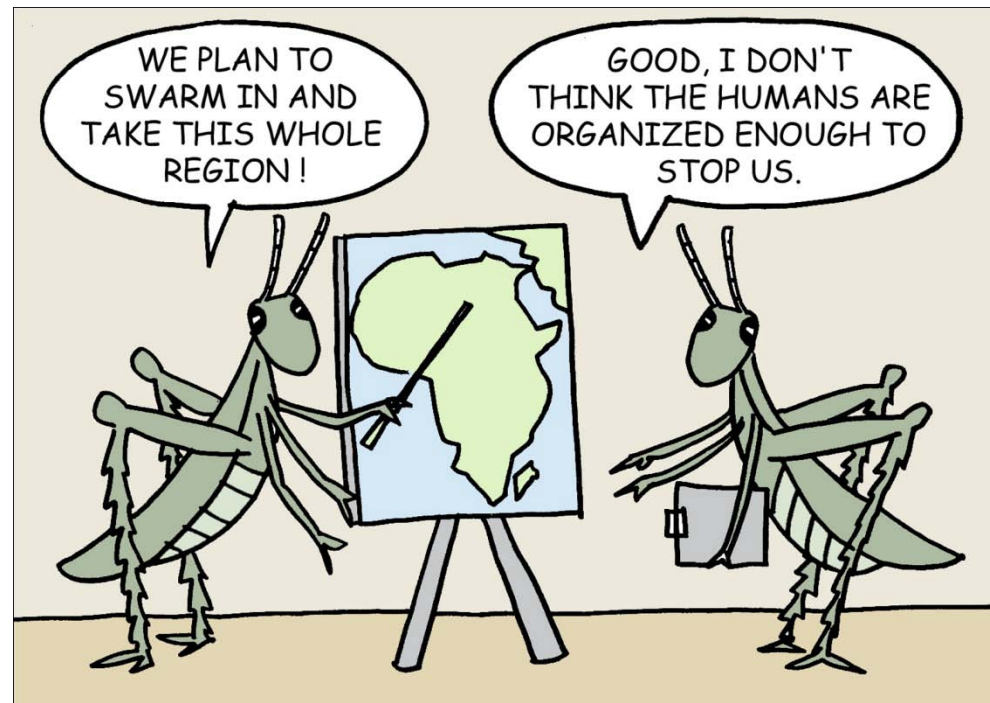
- Approximately 40 million people are covered by some form of HMI worldwide
- Most HMI programs restrict coverage to inpatient or to specialized treatment only
- Most clients value cover for high–frequency risks more than catastrophic risk cover only
- Almost all HMI programs struggle to achieve scale and/or sustainability
- Often some form of public sector involvement

Agricultural Microinsurance

Typical bottlenecks smallholders are faced with:

- Access to information: weather forecast, price, farming techniques
- improved inputs: seeds, fertilizer
- Irrigation, pest control
- Credit & insurance
- Storage, marketing options

Source: www.cartoonstock.com



Insurance: provides safety-net, kick-starts development, pays back multiple of premium in case of emergency, no debt

We still have a long way to go...

Thank you for your attention

Safe journey back!

rsteinmann@microinsurancecentre.org
phone: +41 79 659 69 93