“Microinsurance” is part of the insurance continuum

Risk-pooling products that are designed to be appropriate for the low-income market in relation to cost, terms, coverage, and delivery mechanisms.
Good (micro)insurance must be SUAVE
Microinsurance and economic development
“Eradicating” poverty in China
Microinsurance and sustainable development

Impact of shocks on family income

Poverty Line
Microinsurance Safety Net

Scenario without microinsurance

Scenario with claim pay-out

Economic Levels

Traditional Insurance Market

Potential Insurance Market

Wealthy
Non-poor
Vulnerable non-poor
Moderate poor
Very poor
Destitute

Time
Examples from emerging markets
**Lumkani and risk management**

**Initial results and impact**

- Significantly limits spread of fires
- Follow up on every alert
- 73% of cases, limited spread of fire to the first home. *On average, fires in these communities destroy 40 homes.*
- Last month stopped 8 fires in the first home

*Photo: [https://www.globalinnovationexchange.org/innovation/lumkani-fire-detection](https://www.globalinnovationexchange.org/innovation/lumkani-fire-detection)*

“*The little blue box that can save lives in slums*”

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Technology in Microinsurance

- **Format**: Literature review / resource publication; research conducted by MIC@M for SOA

- **Objective**: Provide insights on emerging technologies that interact with the actuarial profession in the space of microinsurance.

- For each resource, answering **3 key questions**:
  - ✔️ *What is the technology?*
  - ✔️ *How is it being applied in microinsurance?*
  - ✔️ *What does / could it mean for actuaries?*
MAPFRE Colombia’s ‘Seguro Exequial’

- Standard funeral package
  - Several affiliated funeral homes
  - Support of a family assistant

- Premium
  - USD 3.63 / month
  - Covers: Primary, spouse, kids <26 years

- Delivery
  - Condensa (utility company) (90%)
  - Available to all, designed for low-income
  - Voluntary
  - Door to door sales force
  - In and out bound call center
Crop index insurance for smallholders in Ethiopia

- Index-based on rainfall and enhanced vegetation index (EVI)
- Spoke directly w/ farmers to develop the product
- Extension services part of value-add
- Partners include: MIC@M, International Fund for Agricultural Development (IFAD), World Food Programme (WFP), Private insurers, Irrigation Water Users’ Associations

Source: Andina
Four Components of market development
State of microinsurance regulation 2018

**IMPLEMENTED**
- AFRICA
  - CIMA*
  - Egypt
  - Ethiopia
  - Ghana
  - Mozambique
  - Nigeria
  - South Africa
  - Tanzania
  - Zimbabwe
- LATIN AMERICA and THE CARIBBEAN
  - Argentina
  - Brazil
  - Mexico
  - Nicaragua
  - Peru
  - Venezuela
- ASIA
  - Cambodia
  - China
  - India
  - Nepal
  - Pakistan
  - Philippines
  - Chinese
  - Taipei

**UNDER DEVELOPMENT**
- AFRICA
  - Kenya
  - Malawi
  - Lesotho
  - Namibia
  - Rwanda
  - Swaziland
  - Tunisia
  - Uganda
  - Zambia
- LATIN AMERICA
  - Belize
  - Bolivia
  - Colombia
  - Costa Rica
  - El Salvador
  - Guatemala
  - Honduras
  - Jamaica
  - Paraguay
- ASIA
  - Bangladesh
  - Indonesia
  - Mongolia
  - Sri Lanka
  - Thailand
  - Vietnam
- PACIFIC
  - Fiji
  - Papua New Guinea

* Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal, Togo.

Source: A2ii Annual Report 2018
Insurers – paradigm shift
Distribution – varieties and experiments

Microinsurance distribution – wide variety of possible channels
Market – demand (not just need)
Conclusions

• Insurance as a component of risk management strategies
• Technology – opportunities and challenges
• Expansion of MI – markets, products, geographies, “developed” economies
• The four components
  – Regulators and supervisors (government)
  – Insurers – paradigm shift
  – Distribution – variety
  – Demand – must to convert “need” to “demand”
• Global climate change – low income are impacted the most, adaptation
Questions?
## Crop index insurance product terms

<table>
<thead>
<tr>
<th>Product name</th>
<th>Drought index insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Clients</strong></td>
<td>▪ Smallholder cereals farmers in northern Ethiopia</td>
</tr>
<tr>
<td><strong>Risks covered</strong></td>
<td>▪ Drought</td>
</tr>
<tr>
<td><strong>Crops covered</strong></td>
<td>▪ Rain-fed crops (cereals such as maize, sorghum, teff)</td>
</tr>
<tr>
<td><strong>Distribution channels</strong></td>
<td>▪ Direct sales to irrigation water users’ associations</td>
</tr>
<tr>
<td><strong>Premiums &amp; sum insured</strong></td>
<td>▪ Premium range between USD 7 – 34</td>
</tr>
<tr>
<td></td>
<td>▪ Sum insured (max payout) range USD 56 – 280</td>
</tr>
</tbody>
</table>