



The Institutes®
Griffith Foundation

Microinsurance Explosion: Lessons From Abroad and their Potential Application to the U.S. Market

Michael J. McCord

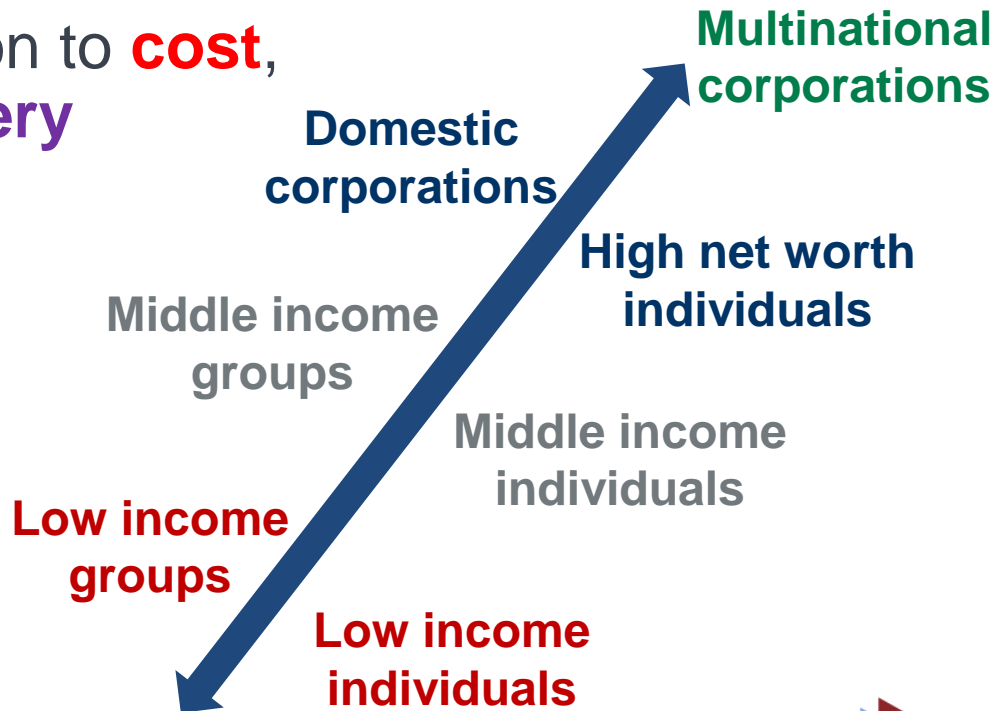
December 11, 2019

General Session

NCOIL Annual Meeting 2019

“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**

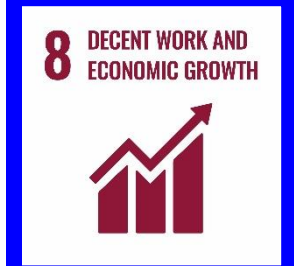


Good (micro)insurance must be SUAVE



Simple
Understood
Accessible
Valuable
Efficient

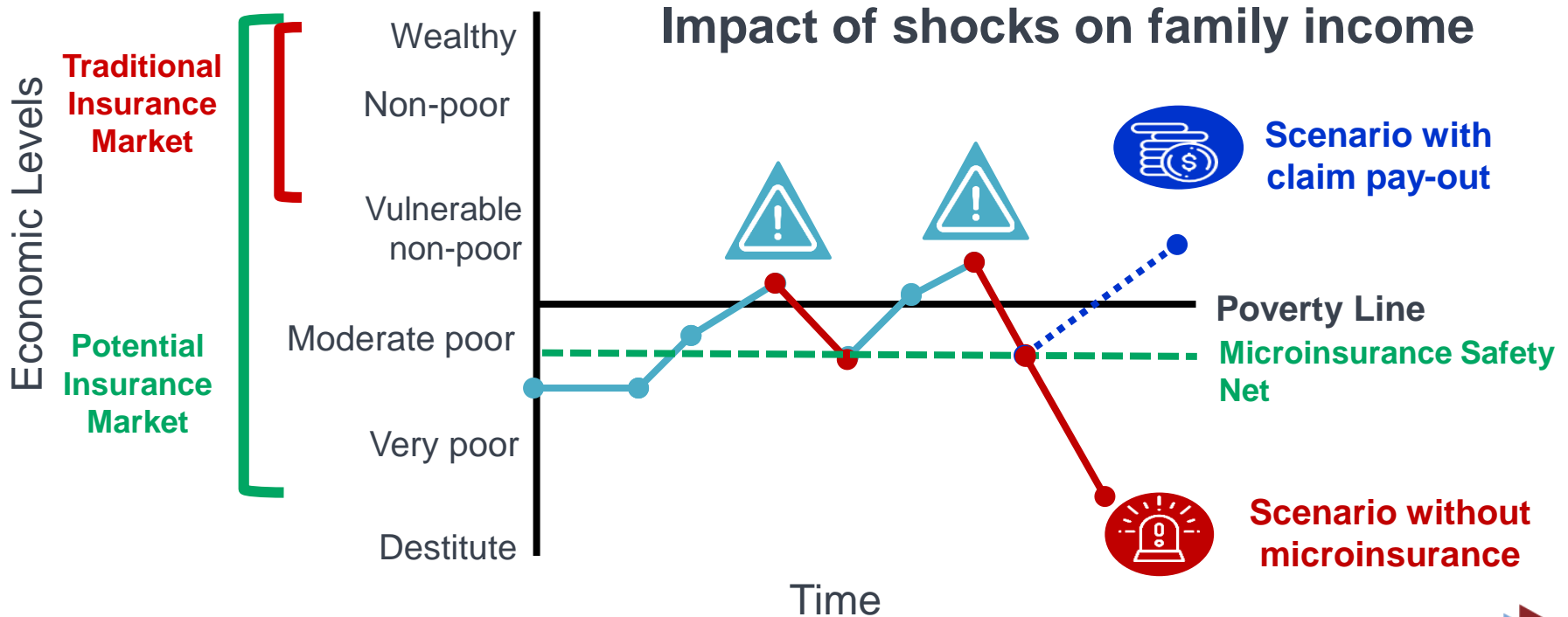
Microinsurance and economic development



“Eradicating” poverty in China



Microinsurance and sustainable development



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

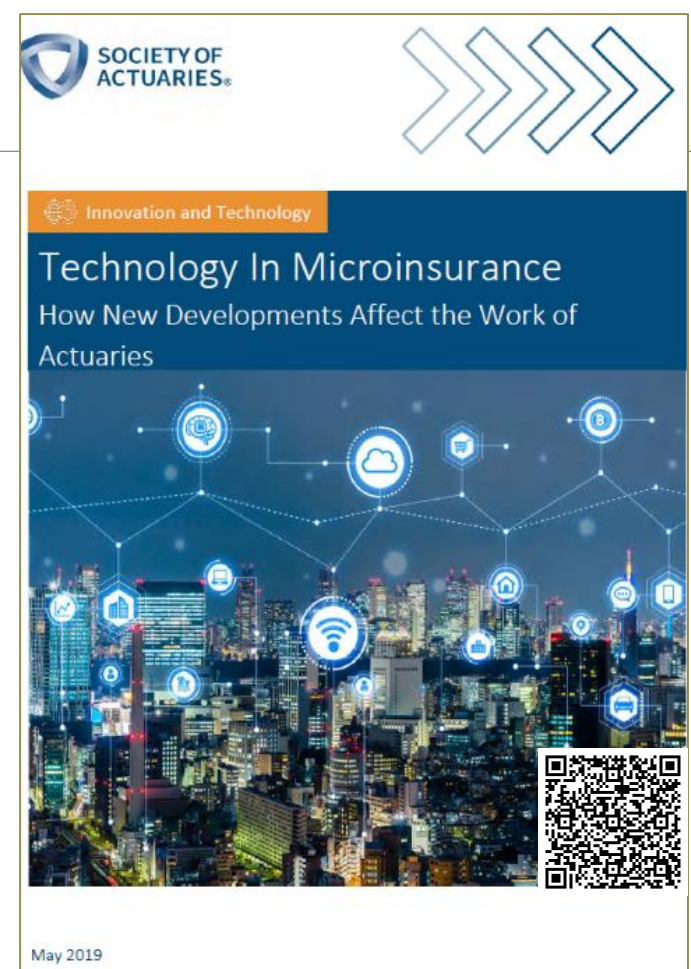


Photo: <https://www.globalinnovationexchange.org/innovation/lumkani-fire-detection>

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

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



MAPFRE

Crop index insurance for smallholders in Ethiopia



Source: Andina

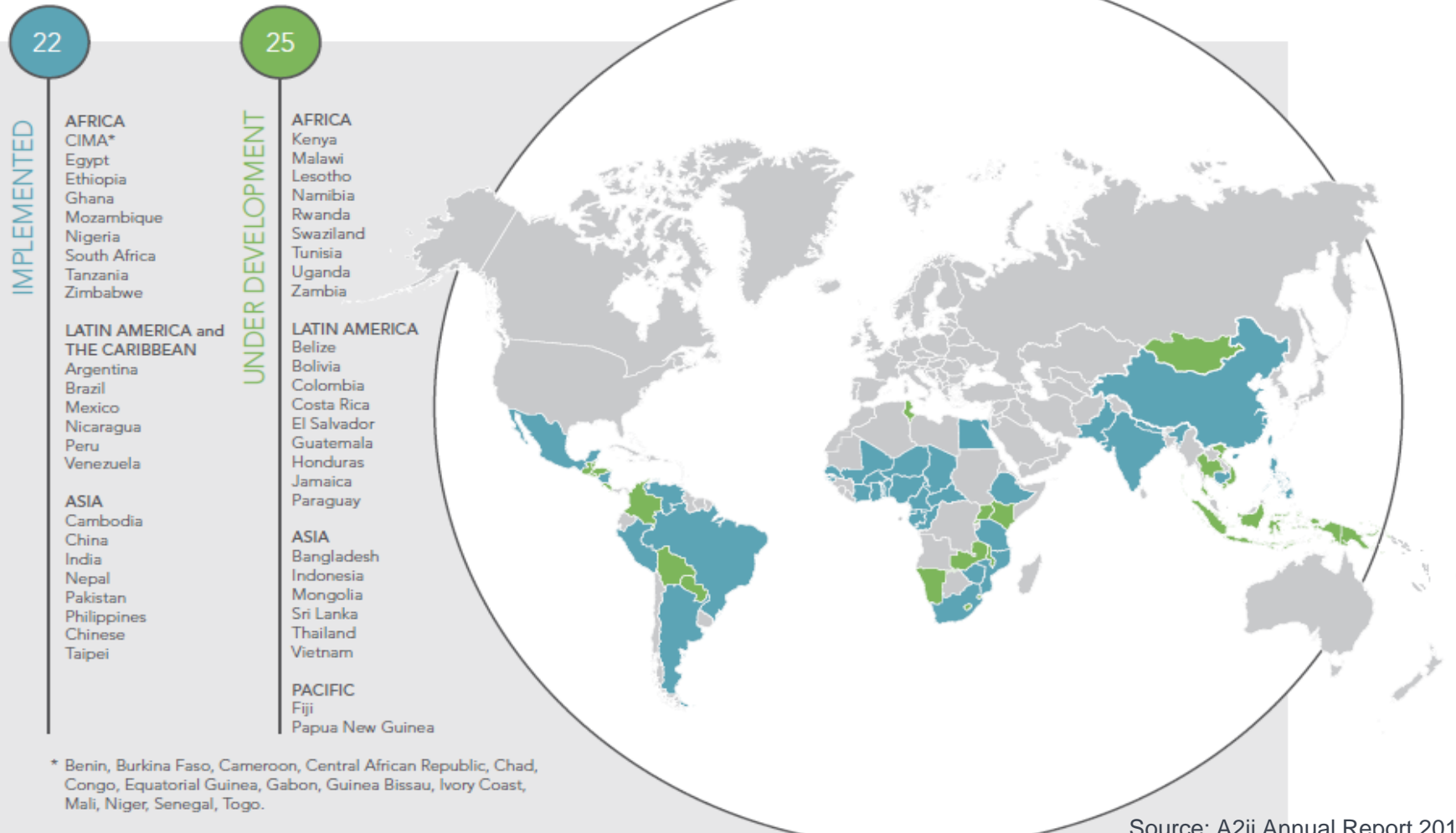
- Index-based on rainfall and enhanced vegetation index (EVI)
- Spoke directly w/ farmers to develop the product
- Extension services part of value-add
- Partners include: MIC@M, International Fund for Agricultural Development (IFAD), World Food Programme (WFP), Private insurers, Irrigation Water Users'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



Four Components of market development

State of microinsurance regulation 2018

Policymakers & supervisors



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

Insurers – paradigm shift



Distribution – varieties and experiments

Microinsurance distribution – wide variety of possible channels



Market – demand (not just need)

El Seguro *de Vida* de Compartamos Banco

- 1.- Protección a tu familia desde \$15,000 hasta \$105,000 pesos para afrontar gastos inesperados
- 2.- Trámites sencillos, sin exámenes médicos
- 3.- Un pago desde \$57 pesos o \$4 pesos semanales junto con tu crédito
- 4.- Entrega del 100% de la suma asegurada a tu beneficiario en 48 hrs después de presentar la documentación completa
- 5.- La compra del Seguro *de Vida* es una decisión **VOLUNTARIA**

¿Cómo ayuda el Seguro *de Vida* cuando falta un ser querido?



Global Climate Change



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?



**MicroInsurance
Centre** at Milliman

Michael J. McCord

Michael.McCord@milliman.com

This presentation is intended for educational purposes only and does not replace independent professional judgment. It is not intended to guide or determine any specific individual situation and persons should consult qualified professionals before taking specific actions. Milliman does not assume any duty or liability to parties who receive this presentation.

Crop index insurance product terms

Product name	Drought index insurance
Clients	<ul style="list-style-type: none">▪ Smallholder cereals farmers in northern Ethiopia
Risks covered	<ul style="list-style-type: none">▪ Drought
Crops covered	<ul style="list-style-type: none">▪ Rain-fed crops (cereals such as maize, sorghum, teff)
Distribution channels	<ul style="list-style-type: none">▪ Direct sales to irrigation water users' associations
Premiums & sum insured	<ul style="list-style-type: none">▪ Premium range between USD 7 – 34▪ Sum insured (max payout) range USD 56 – 280