



# Innovation Flash

Issue 6, May 2010

The Newsletter of the ILO's Microinsurance Innovation Facility

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### Enabling universal access to social security

The ILO promotes the extension of social security to all and defines social protection as all measures, public or private, which society provides for its members against economic and social distress that would otherwise be caused by the stoppages or substantial reduction of earnings resulting from paying for medical care sickness, maternity, employment injury, unemployment, disability, old age, and death.

Microinsurance can contribute to enable universal coverage including: a) as a temporary measure in countries where the majority of the active population work in the informal economy and the government is still in the process of building up mechanisms to extend coverage; b) as a complementary measure to provide additional voluntary benefits on top of the government provided by statutory schemes; and c) as an extension mechanism, using microinsurance as a way of distributing government benefits to workers in remote regions.

There are many synergies between government and mutual schemes to be explored, leveraging the community ties and local accountability of microinsurance schemes. While the limited scope of mutual schemes is often stated as a limitation, it is also an asset, making them more flexible, with greater potential for innovation. On the downside, their financial sustainability and the inability of the most vulnerable to afford premiums remain a concern. The government could address these limitations, for example through subsidies and reinsurance.

Veronica Wodsak, ILO's Social Security Department

## INNOVATION GRANTS

The Facility is in the final stages of the Round 4 selection process. The 235 applications, including 56 for capacity building, are the largest request for support yet, reflecting a growing interest in microinsurance. Applicants will be notified by 28th June 2010.

The next round will be announced in October 2010 with applications due in January 2011. Round 5 will focus on scale and efficiency, and is the last round of innovation grants currently scheduled, as the Facility will be shifting gears to focus on collecting lessons from grantees and others on what works and what does not in microinsurance.

## KNOWLEDGE MANAGEMENT

In light of its mission "to learn how insurance can best benefit low-income households," we have launched our knowledge management strategy focused on securing relevant experiences and lessons primarily from our grantees, and making these available to various stakeholders.

The strategy aims to improve tools for capturing lessons from the Facility's partners who are implementing innovation grants, research grants and capacity building activities. It also aims to better analyze and consolidate lessons per grantee (to be captured in an evolving *Learning Journey* page per grantee), and across grantees (through thematic lessons documents).

The strategy will be supported by an online knowledge platform which brings together the Facility, its partners, and other microinsurance stakeholders for knowledge and information sharing, collaboration, and lessons exchange. [Read the full strategy.](#)

Innovation Flash is an online newsletter available at [www.ilo.org/microinsurance](http://www.ilo.org/microinsurance). For more details, contact us at [microinsurancemedia@ilo.org](mailto:microinsurancemedia@ilo.org)

## GRANTEE COMMUNITY

### Consumer education 'on air' in Kenya

In March, Microfinance Opportunities (MFO) and the Association of Kenya Insurers (AKI) kicked off an [Insurance Consumer Education project](#) with an orientation meeting that included two radio stations, a radio production house and Michal Matul, the Facility's Research officer.

This project seeks to develop an insurance culture among low-income Kenyans through a radio broadcast campaign. To support the campaign, MFO is conducting a *Training of Trainers* in May for staff of Kenyan insurance companies, microinsurance delivery channels and the insurance regulator. The training will be based on MFO's [Risk Management and Insurance curriculum](#).

The radio campaign will be broadcast in both short and long formats by two stations - Citizen Radio, which broadcasts in Swahili to 7 million people daily across Kenya, and Inoora radio, which broadcasts in Kikuyu and reaches 4 million daily. The short features will be three minutes in length and run three times per day during the week, while the longer format program is a weekly business talk show. This show will be devoted to increasing insurance literacy during the three months of the campaign. Contact Liz McGuinness: [lizm@mfopps.org](mailto:lizm@mfopps.org)

### Seguros Argos terminates prematurely

In November 2009, [Seguros Argos](#) announced the termination of the project that the Facility had been supporting through an innovation grant. The project involved the creation of local mutuals that would serve as distribution channels for Argos' life insurance products. Given the difficult financial situation in the Mexican market, as well as a change in the company's management, the organization decided to refocus its activities and exit the microinsurance market, therefore ending its entire microinsurance business line. The Facility visited the organization in March 2010 to document lessons learnt from the project.

### Microinsurance in Ecuador

The Red Financiera Rural in Ecuador has been implementing a microinsurance project with the support of a Capacity Building grant since 2009.

This work started with different studies on microinsurance in Ecuador to identify low-income people's needs, the product design and a tender involving several insurance companies. Great emphasis is now given on training the commercial agents delivering the products. Currently the implementation has started with three partner organizations and by the end of 2010 it is expected to have seven partner institutions and 35,000 insureds. [See the detailed factsheet.](#)

## CAPACITY BUILDING

### Huge demand for capacity building support

Fifty six applications focusing on capacity building came in during the Round 4 application process, many more than we expected, reflecting the great demand for capacity building support. This demand will likely lead to a shift in the focus of the Facility, with a greater emphasis placed on capacity building efforts.

Currently, 16 applicants have been short-listed for an initial diagnostic that will be conducted by the Facility's microinsurance consultants. These teams will work with the applicants to develop capacity building plans for Facility support.

### Voices from the Fellows

The [Facility's Fellowship programme](#) is an effective mechanism for exposing insurance professionals to the specific characteristics of the low-income market, while providing critical assistance to the host organization. The Facility currently has 10 Fellows working on six to twelve month assignments in seven countries. We expect that graduated Fellows will play an instrumental role in enabling more low-income workers to access appropriate insurance products.



Kelly and PGI's team

Kelly Rendek works in Mongolia with Prime General Insurance (PGI) to develop and pilot two products - personal accident insurance and health insurance - and to sell them through Xac Bank branches. She provides training to strengthen local capacities. She describes in her [blog](#) how exciting work in Ulaanbaatar really is and her initial thoughts on the status of microinsurance in Mongolia.

Paola Romero worked with INISER in Managua, Nicaragua, contributing to the development of the first steps of the microinsurance project. Paola conducted market research and identified distribution channels for the insurer. She's now looking for new opportunities in the sector as a freelance consultant.



Paola Romero

"Having the opportunity to participate in the design and development of a microinsurance programme, and taking it through to concrete results, makes you feel that what you do makes sense. Working with the future insured helps you realise their reality and their needs. This is when you become sure that your job can provide solutions for real people." Paola Romero



Soro Dofèrègouô

After completing his Fellowship, Soro Dofèrègouô has been appointed by his host organization, the International Center of Development and Research (CIDR), as a Technical Advisor for their health microinsurance program in Comoros.

## RESEARCH

### Grants and Fellowships available

The Facility and EUDN invite researchers to submit [research proposals](#) on microinsurance development in developing countries. The deadline to submit a proposal is 30th September 2010.

[Research Fellowships](#) are also available. The Fellows will be placed with Facility innovation partners to fulfil their own research interests, gain hands on field experience and support project evaluation. Apply before 13th August 2010.

### Three new thematic studies

**Savings and insurance** - Several insurance companies have developed non-lapsable endowment products or savings plus life insurance products intended to provide the poor with better value than has been typically available. This stocktaking exercise analyzes these products and creates a typology for savings and insurance, the pros and cons of product design from the client and institutional perspective, good practices and tips to overcome common challenges.

**Migration, remittances and microinsurance** - Remittance flows to developing countries exceed amounts of development aid. One of the key challenges is how to channel these regular and ad hoc money transfers into development. Transfers represent a promising market opportunity for microinsurers since low capacity to pay often hampers demand for their products. This study explores how microinsurers can build on migration and remittance flows by looking at current experience and analyzing other opportunities to tap into the market.

**Improving credit life** - Credit life is the logical starting point for many insurers entering microinsurance, but can it be designed so that customers actually benefit from it, to help them have a positive experience with insurance, and therefore be more likely to voluntarily purchase other insurance products?

## THE FACILITY'S PUBLICATIONS

### [Microinsurance Paper n°4](#)

This paper presents in greater detail the results of the landscape study of microinsurance in Africa. Market opportunity and demand are covered in depth, along with the African regulatory environment and other important enabling factors. The current outreach of microinsurance in Africa, including insurers, products, and delivery channels, is then presented from a practical perspective with case studies and input from expert practitioners. The paper concludes with a discussion of challenges that must be overcome to facilitate broader, high-quality expansion in the years to come.



## THE FACILITY NEWS

The Facility created an [Advisory Group](#) consisting of high profile experts to provide strategic and technical guidance related to their respective areas of expertise (e.g. health, social security, information management). These experts are Don Canning (Microsoft), Arup Chatterjee (IAIS), David de Ferranti (Results for Development), Tilman Ehrbeck (McKinsey), Ulrich Hess (World Bank), Christian Jacquier (ILO), and Steve Rasmussen (CGAP).

### New staff

**Virginia Bethé** joined the Facility as a Grant Officer. She arrives with experience in the US financial services sector, including insurance and investment product sales, and financial education experience. Virginia also has non-profit grant management experience in the US foundation sector and has administered international development projects for USAID and NGOs.

**Abby Gray and Brian Clayton** are doing an internship with the Facility. Abby is assisting the next *Microinsurance Compendium*, supporting the development of a microinsurance training curriculum and writes articles for the Facility. Brian is developing the Facility's presence on Social Media, editing the Newsletter and managing our contact database.



Abby, Brian and Virginia

**Aida Lindmeier** is a journalist who worked as a Public Relations and Project Management specialist. She joined the Facility team initially to support the Capacity Building Programme.

### Feature articles

#### [Small premiums, long-term benefits: why poor women need microinsurance](#)

For poor women in developing countries, microinsurance coverage is an important safety net, providing a powerful tool to protect their households and productive assets.

#### [When rain only tells half the story: Cotton index insurance in Mali](#)

So far, the most common application of index-based insurance in developing countries is linked to rainfall. However, a recent feasibility study indicates that area yield index insurance makes more sense for Malian cotton farmers.

### Feature videos

#### [Microinsurance, an untapped source of social and economic development in Africa](#)

(Michal Matul - ILO's Facility)

#### [Finding the real value of microinsurance](#)

(Stephan Dercon, EUDN - Oxford University)

## MICROINSURANCE NEWS

- The Microinsurance Network's Impact Working Group is [mapping information on ongoing impact assessments of microinsurance](#) around the world. Twenty-five projects are featured and you are invited to add your own data.
- The world's first microinsurance fund, [LeapFrog Investments](#), announced its major new investors J.P. Morgan, TIAA-CREF, Proparco, Waterloo, ACE and achieved a record close on \$137 million for investments in Africa and Asia, catapulting LeapFrog to the largest microinsurance investment fund in the world.
- The Micro Insurance Academy (MIA) has launched a study on the development of an Integrated Risk Management framework for microinsurance schemes. If you want your views to influence the development of this framework and to read more [click here](#).

## OPPORTUNITIES

- MIA is looking for a Monitoring and Evaluation Consultant for 3-months on-site work in Delhi. The M&E consultant will work with multiple teams within the MIA to consolidate and streamline approaches and to fill in gaps. Apply before 6th June 2010. Email: [jobs@mia.org.in](mailto:jobs@mia.org.in)
- Check the [Financing Facility for Remittances newsletter](#), which includes a Call for Proposals in 10 thematic areas, one of which is microinsurance. The focus is not only on health and/or life insurance products for migrant workers and their families, but also repatriation, job loss or other insurance projects related to the discontinuation of remittance receipts. Deadline is 7th June 2010.



You can now download [the Facility's 2009 Annual Report](#) from our website.

Innovation Flash is produced by the team of the Microinsurance Innovation Facility, translated by Rene Roig and designed by Sarah Bel. For more details, contact us at [microinsurancemedia@ilo](mailto:microinsurancemedia@ilo).



## RESOURCES & EVENTS

- The IAIS has released for formal consultation the draft [Issues Paper](#) on the Regulation and Supervision of Mutuals, Cooperatives and other Community-based organisations in increasing access to insurance markets.
- The [2010 Winter Microinsurance Network newsletter](#) focuses on the effects of climate change on microinsurance and includes a conference report from Central America.
- The Swedish Cooperative Centre has released [a video](#) on how study circles are being used to promote education regarding risk management in rural areas of Kenya.
- The Gordon Institute of Business Science and the Facility are organizing a 4 day course on '[Building business in low income markets - the case of insurance](#)', 11th - 14th October 2010 - Johannesburg.
- [The report of the 5th International Microinsurance Conference 2009](#) is available. It summarizes the discussions on new approaches for the provision of affordable insurance products to the world's poor.

### [Financial Inclusion Opportunities for Micro Health Insurance in Nepal](#)

MIA has released a study on the viability of microinsurance in Nepal that presents the socioeconomic status of the target population, incidence of illness and health-seeking behaviour, the cost of healthcare, and the willingness to pay for health insurance.



### [The Potential for scale and sustainability in weather index insurance for agriculture and rural livelihoods](#)

Published by the [Weather Risk Management Facility](#) (WRMF) - International Fund for Agricultural Development and World Food Programme. 2010. P. Hazell, J. Anderson, N. Balzer, A. Hastrup Clemmensen, U. Hess and F. Rispoli. Rome.



### [To What Extent Does Non Profit Private Micro Health Insurance Help Improve Public Health Care?](#)

2009, Duffau, A. & Pedregal, V. Based on the SKY health microinsurance project that GRET has been developing in Cambodia for ten years, this article reflects on how non-profit private insurance scheme can help improve public health care.