The challenges

The challenges in increasing insurance cover among low-income people in developing countries lie in three main areas – products, models and education.

**Products**
The concept of ‘product’ covers not only price, benefits and terms, but also product management and delivery processes. In microinsurance, the challenges include getting product price and benefits right, coping with huge volumes of small policies, collecting premiums from people without bank accounts, verifying and paying small claims, and controlling fraud.

**Models**
New models and partnerships are needed that capitalize on the strengths and overcome the weaknesses of current institutional models for providing insurance. The challenge is to devise institutional solutions that are efficient, provide relevant and affordable coverage, and balance the interests of risk carriers, delivery channels and policy holders.

**Education**
The poor tend to have short-term planning horizons, to be suspicious of insurers' motives and to believe that insurance is only for the rich. They often do not understand how insurance works or how it compares with other risk-management tools such as savings and credit. The challenge is to make insurance more accessible to them not just physically and economically, but also intellectually – that is, to develop an insurance culture among the poor.

**What is microinsurance?**
Microinsurance is a mechanism aimed at protecting poor people against risk (accident, illness, death in the family, natural disasters, etc.) in exchange for insurance premium payments tailored to their needs. Income and level of risk is taken into account at the designing stage, particularly in the informal sector where people tend to be underserved by traditional providers of insurance.

Studies have revealed that literacy level is not a strong factor in consumer-product education. Illiterate low-income people can understand insurance products. Considerable investment will be required in innovative approaches to consumer education and marketing to enhance appreciation of insurance.

Lemmy Manje, Mennonite Economic Development Associates (MEDA) Field Project

Besides growth in numbers, other objectives that we will also need to address are affordability, depth of coverage, and diversity of providers. Ultimately, we want to make sure that low-income consumers have choice and protection – choice to opt in and opt out of policies, to pick and choose from a menu of items the package that is most appropriate to their needs, and protection from unfair pricing and discriminatory or unethical policies.

Nhu-An Tran, USAID

The International Labour Organization (ILO) is a United Nations agency, devoted to promoting opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Its main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues.

The ILO is the only ‘tripartite’ United Nations agency in that it brings together representatives of governments, employers and workers to jointly shape policies and programmes.

The ILO is the global body responsible for drawing up and overseeing international labour standards. The ILO’s role is to ensure that labour standards are respected in practice as well as principle.

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Innovation involves venturing into previously uncharted territory and taking risks in order to create benefits for the consumer, such as products and services, and to explore new models and experiences with new ways to educate people – by collaborating with:

- Risk carriers such as insurance companies, microinsurance innovators and developers of microinsurance schemes.
- Delivery channels such as NGOs, cooperatives, labor unions, employee associations, banks, microfinance institutions and financial service providers.
- Insurers, enterprises, providers, training institutions, insurance cooperatives and management service providers.
- Researchers who are working in labs, networks, universities and local research centers.
- Groups of microinsurance actors such as NGOs, companies, labor unions, employee associations, banks, microfinance institutions and financial service providers.

Our objectives

Our objectives revolve around the following:

- To attract new insurance products and help governments, companies and NGOs manage risk.
- To develop insurance culture.
- To support the development of better insurance products for a greater number of households.

So, do we need to:

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A 2007 study revealed that 78 million people (less than 3% of the world’s poor) in the least developed countries had some insurance coverage, mainly credit-life schemes. The Facility seeks to encourage the development of microinsurance so that, by the end of 2012 – 150 million low-income people will be able to make informed choices on how to manage risk and will have insurance coverage, mainly credit-life schemes. Our primary objective is to help low-income people in developing countries learn to build insurance products and services, and to get better value for money.

We are particularly interested in collaboration, learning and the education of potential consumers on the value and utility of insurance.

Our activities

The microinsurance innovation facility engages in a wide set of activities that include:

- Applying for innovation grants.
- Supporting research, technical assistance and training.
- Disseminating information and lessons learned to key stakeholders.
- Mapping resources and learning institutions.
- Supporting research.
- Disease risks.
- Technical assistance.
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- Disseminating information and lessons learned.
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- Supporting research.

How do you apply for an innovation grant?

Contact us at innovation.grants@ilo.org

How do you apply for a research grant?

Contact us at research.grants@ilo.org

Our partners

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